WORLD TELEVISION

K+S

Capital Markets Day
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K+S Group

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Introduction

Norbert Steiner, Group Chief Executive

Good morning everybody, welcome to our K+S Capital Markets Day 2015. If you would ask me when we have conducted the last one I would need to think about it very intensively, 2010 in Berlin, and therefore it's a very rare occasion to meet with you at a Capital Markets Day hosted by K+S, welcome.

Welcome to our Erlebnis Bergwerk Merkers, we are 420 metres below ground here and this is quite not much because those who will have the mine tour this afternoon will be getting deeper and the deepest location we have in Germany is more 1,000 metres below ground. But I think it's still an impressive thing.

And since we are just guests here in our Erlebnis Bergwerk I would like to mention a couple of issues, of things, why we do it here and why we have that small museum. And it's a good situation to be here in Merkers in the year 2015, 25 years after our German reunification because are in Thuringia and this mine was since the end of the Second World War a mine that was run within the former GDR. And potash in the former GDR was one of the most important export goods and therefore the potash industry in the former GDR was very well established and was very big and they tried to get out as much raw material to manufacture it into MOP and other things as possible.

So here in that region in Thuringia we have one active site left, this is Unterbreizbach where you will be underground, those at least who will participate this afternoon, this is - let's say the neighbour, Merkers which is connected with Unterbreizbach underground so you don't need to get up by a bus then get down in Unterbreizbach again. And this is a part of our big Werra mine, Unterbreizbach and also this one. Many, many of the mines were shut down in the neighbourhood and also in the Harz area, but Unterbreizbach was the one selected by the T….. in those days to survive in the area, to continue mining and to be an integrated part of the K+S Group. And this mine was shut down prior to the merger of the former Western German operations run by K+S and the Eastern German run by a company which was called MDK in those days.

So the mine was shut down in 1993 and you might wonder why we are still here in that museum where we offer tours of a duration of two and a half, three hours twice a day with the exception of Monday, it's a very interesting thing also for families with children, I think they must be at least ten years old or something in that neighbourhood and it's worthwhile to come here.

Also to come into that site here which is something that has been built to store raw material which was produced underground over the week in order to feed the plant on ground. And this big entity over there is also something which is absolutely unique, I think it has not run very much, in those days, this was introduced to Merkers only a couple of months before it was shut down and it is feeding - the raw material comes down from the ceiling, falls down and it is being processed via this big entity over there.

But just to have a museum underground with all the infrastructure would be very costly and this is something that we certainly would not do without a good reason. The reason is that as I mentioned the former GDR potash industry wanted to get out as much material, as much potash out of the ground as possible. And you might have seen the room and pillar system that is generally used for the extraction of raw salt underground and there are pillars remaining that should maintain the level above. And these were decreased more and more and more and a couple of them collapsed and caused injuries and other damages on ground. And with a view to that there is a big need to stabilise it.

This is something that we do since 1994 and we are continuing that also for a couple of years. And this is the basic infrastructure that we use and this guarantees and enables us to run that museum here. 80,000 guests per year.

And maybe one last remark on Merkers, two last remarks on Merkers, the reason why the idea was born in the '90s to have a museum here is some issue that is obviously unique in the world, we have salt crystals with the length of more than one metre in a crystal cove which you of course will now see when you are going into the operation in Unterbreizbach one reason more. And in the times of the Second World War a lot of pictures from the Berlin galleries and also the gold treasure of the former German Reichsbank was stored here. And there is a small movie made by the American forces that show how they detected that it was here and brought it to Germany and also these kind of pictures, The Man with the Golden Helmet from Rembrandt for example stored here are to be seen in the Berlin museums as of today.

So this was the birth date of the museum, but we have done a lot, year by year the people that run that museum are getting new ideas. This laser show for example was introduced a couple of years ago. So it was not specifically designed for you to welcome you, but once again welcome in Merkers.

And therefore I would like to start not with the presentation, not to forget to introduce the people from K+S that are here today with me, my colleagues, Andreas Radmacher, Burkhard Lohr, Mark Roberts and from Canada Ulrich Lamp, investor relations are more or less completely here and Jörg Bettenhausen, from our finance and reporting activities. So when you have questions we will try to answer them as good as possible, maybe we will have time enough during our presentations and afterwards.

I will start and I will flip through to the end, but you have the programme available so I would like to make some introductory remarks and Burkhard Lohr will continue, questions and answer and then we will do the issues in due course.

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Mission Not Completed (Yet)

Norbert Steiner, Group Chief Executive

So where we are, Mission Not Complete Yet this is the headline of what I would like to present to you. And of course it is necessary to say still today a word on the Potash Corporation proposal, frankly I was asked recently in a group of people to report a little bit about the situation from the end of May up to the beginning of October, this was ten days ago and I said - who - what are you asking me because it's so long ago already and people don't remember it. At least we are meanwhile in completely different issues active and therefore I need to recall what was the case and what we have done.

And I think most of you have followed this procedure up to the end with the withdrawal of their private proposal by Potash Corporation but I would like to recall the main reasons why we did not - were not in a position to accept these ideas that were put forward by Potash Corporation. The fundamental value, this is something that is addressing the shareholders of the company; this was from our perspective not adequately met.

They - and still this is something they are not very happy about, the development of Legacy and hopefully and I'm sure that Ulrich Lamp will make a lot of remarks on that and give you a lot of insight on where we are. So from my perspective, from our perspective we are absolutely well on track. This was no adequately considered. And of course the Salt operations were not treated in the way like we have seen it and continue to see it.

But on the other hand the Board of Directors, as well as the Supervisory Board have to look to the entirety of the interests that are connected with K+S as a stock listed company. This is not only shareholders, this is stakeholders as well. And from that perspective we need to look to the areas where we are, the communities, our employees and one of you made the remark, I heard that this morning, that it is quite understandable why we are looking so much to the regions in which we are, definitely if K+S would not be here then it would be a very difficult fate for the people working and living here, almost nothing, no alternative is here.

And therefore we came to the conclusion on the 2nd of July to respond to the private proposal from PotashCorp like described. And since then we were always asking for more insight, for more reliably for of course a higher offer that reflected maybe better the fundamental value but nothing has happened. And from that perspective there has also not been any reason to maybe approach them actively. And we like you were certainly quite surprised to see on the 5th of October that K+S - with the proposal - the private proposal was withdrawn.

I think definitely from the situation as it was in July to October and as of today we are completely of the opinion and convinced that we have taken the right decision. We are certainly looking for shareholder value, but we are certainly also looking to the fate of the stakeholders generally.

If there had been the prerequisites created by Potash Corporation we would also have talked with them. But there was - with all the written comments and documentation that they gave us no real solid basis for talks and therefore at the end as known we were surprised by the withdrawal, and of course we continue our business as usual.

Of course we have been approached afterwards by many, many shareholders and investors, private investors , institutional investors and when you look to that - what we have written down, we are clearly aware of the fact that K+S has to deliver on its promises. We will. But we will do that in the continuation of our strategic path that we have started years ago already and therefore we cannot look only on a quarterly basis how K+S Group has developed.

And with a view to that and in order to show you where we are and also what was the contribution of the financial markets in those days in the past I would like to present you with a little bit of background a view back to the situation before let's say New K+S Group was created, was born. That means from the end of 1999 the beginning of 2000 and you'll see the difference not only in colour but also in size when it comes to our revenues, the EBITDA, where we have we been doing our business in Europe, overseas and you see that there's a lot of things that have happened in order to come to the situation in which we are right now.

And to reflect that we have written down here the activities, acquisitions, divestments that we have undertaken from the end of 1999 with the acquisition of the former nitrogen business from BASF including Compo, then the Netherlands, the creation of Esco, SPL Morton Salt, then Potash One of course the nucleus of our Legacy project. Then the divestment of Compo and Nitrogen and a little small Salt acquisition done in the Czech Republic in order to bring us to the shape which we believe is the right one, our two pillar strategy.

I would not say that all these issues that we have acquired and divested in the past were erroneous we have learnt a lot with the acquisition of also sites to produce complex fertilisers, to produce single fertilisers also with that consumer business in Compo. This was something which also enriched our abilities and capacity for potash salt production and you see a lot of parallels between the consumer business of Compo as well as the consumer business of Esco, of SPL, nowadays K+S Chile and last but not least and not to forget them Morton Salt and Windsor Salt in Canada.

But we think we have made the right decisions to concentrate on our two pillars, Potash and Magnesium products on the one hand side and Salt on the other hand side. And there you certainly know all our so called peers. We are rather unique if you take out for a moment Compass in the United States which is primarily one big competitor and salt producer in the US and a relatively smaller producer of SOP. So they have more or less from the resources quite the same shape but not in the size that we have developed over the last years.

And in order to show you why we also - one of the reasons why we say this is something that is quite helpful, you'll see on the left hand graph the quarterly EBITDA change in percent versus the Salt peers, this is something which is rather looking to Compass and other stock listed smaller companies certainly and with a view to this balance that we have created by the acquisitions and activities that we do now on three continents. This is something that reduces the volatility in the EBITDA contribution over a longer certain period of time.

And the other argument, the right hand side coming to potash and magnesium products is something that we tried to bring over in 2013 very intensively after the so called Black Tuesday with the split of BPC - let's say the leaving of BPC in Russia, by Uralkali and we were able to demonstrate and this is something that is continuing that we are more stable on the situation that we don't only have MOP maybe in standard quality and granulated quality, but that we have this very, very broad range of specialities that help us also to be on a more stable area when MOP prices are going down. Of course you need to see that in general also prices for SOP and the other specialities follow development with a certain time delay.

And one view more on our Salt operations, this is something that we also use in our road shows and financial conferences, you see these scales and you see when you only look to the weather conditions and the de-icing salt you see in 2010 that Europe was outweighing North America the year after 2011 and then as well. And then we were more or less on an equal basis in 2012. Then Europe was ahead of the United States and Canada in the last years 2014/2015 more or less very much balanced by the operations in North America.

But it's not only the de-icing salt as such; it's the broad range of our products for industrial purposes, I do not want to do too much into detail because Mark Roberts will be coming afterwards, we have cost leadership in Chile, we have a lot of synergies between not only the different sites of the Salt operations but also continuously and increasingly between salt and our potash and magnesium products range.

And these activities are something that we try to bring over and it's a must that I come that as well here in our Capital Markets Day, the portfolio with a view to products and areas in which we are doing our business. You see these pie charts, that the pure MOP is just below 50%, we also have industrial production, specialities containing potash, not containing Potash and you'll see also that the variety of areas, this a lower pie chart is something that we have selected of course intentionally because we can make up some of the cost disadvantages that we have from our production here in Germany, the short distances, proximity to our customers.

We are making shipments overseas as if we were the inventors of the usage - the utilisation of containers for our potash and speciality transportation to Southeast Asia and when we are looking to our customers there is a long, long relationship with them which not only from time to time gives us a chance to make a deal when others have come and maybe were offering the same prices like when we were only offering the price of our competitors.

But it took a long time and you see the development that took place on the graph that I have shown you a couple of minutes ago. There was a lot of investment into the Salt operations and once again as of today in the year 2015 that it was the right way also to strengthen that business, but it was a long way to find a target where we could increase and enlarge our Potash operations.

And I remember well all these discussions that we have, all these recommendations that we had from the participants of the financial markets years ago already. I think it was a discussion that took place before I took over the Chair of the CEO of the company in 2007. People said, and you'll see that on the right hand side, the German mines are - compared to the competitors outside closer to the end of lifetime, you see that the production in Germany is - cost expensive, it's more expensive than our competitors abroad. And as we have always said in those days these famous 7 million a little bit above in those days were the limitations that we had that we would never be able to participate in the growth of the market. And this was maybe a complete identify between the view of the financial markets and our company.

And we have done a lot of discussions and attempts to find the right target, one or the other of you that is following you K+S since a couple of years know that we were looking for Russia twice, both failed. And it took a lot of time until we then found the right targets to invest in and this is shown on the right hand graph. This is Potash One with the development of Legacy.

So what will we see from that? We will see compared to us and compared to others in Canada, low cost commodity production, but we will not only have MOP for the agricultural purposes, but also for industrial purposes. We have improved everything average cash costs for the entire business unit, higher share of variable costs because we have only about 350 people dealing with the production in Legacy afterwards, extension of lifetime. I have always said that despite the fact that we are only planning for 40 or 60 years this will last for much longer times, for a hundred years or so, I hope that I will see the end of the production, two continents production, end, end, end. And therefore I think we have so far delivered what the capital markets, the financial markets has required.

And with a view to that I will be blamed by investor relations afterwards for saying this I was rather disappointed that once we have done it it was not very much appreciated like we have thought it would have been the case. And it might be that it has something to do with the fact that at the beginning it was just the acquisition of a small junior mining company, then it was the idea, then we needed to increase the budget for the ramping up of Legacy and of course it took a while before we started.

But when I look back and we have seen the recently in a meeting when we really started the building of the mine and seen what happened up to today on the 12th of November it's rather impressive and from that perspective I can only say we are strong believers in that what we do over there and we will materialise that in due course.

So with a view to that we are coming to the results that we have released yesterday. This year is much stronger compared to the year before and we continue more or less with our significant increase outlook that we have confirmed yesterday with the only exception that we have cut the upper end of our former corridor from 860 to 830. This was something that I have made public a couple of days and weeks ago already and it should not have been a surprise. Because when you look into the development of our figures of our competitors it should have been taken into consideration as well.

But it's still one of the best results in the history of K+S. And furthermore we are continuing to say that we have an attractive mid-term guidance that we can confirm. About €1.6bn EBITDA by 2020 has been one of our arguments during these months between July and the beginning of October with the proposal of Potash Corporation and despite the current situation of the market we think that it is achievement and this is something that we say - it is one of our targets we will deliver.

And Legacy once again, will significantly contribute to that. But also the €250 million that we have mentioned during these days with Potash Corporation is something that we should have in normal years, and I mentioned I think I had repeated this a couple of times, and I don't look to Mark Roberts right now. And this is the minimum and I expect more when I have retired afterwards.

And yeah, dividend policy - I think this is also something that seems to be attractive when you compare the expectation. And we have said in our Q2 and Q3 interim reports that we are looking forward that it should be an increase in the dividend between the 40 and 50%, I think also this is very attractive compared to the share price as of today. This is something that we have established as a policy years ago already and we will - whatever is possible continue that.

So this is the task list that we have, I hope that it is visible but you all have the paper in front of you, the opening of Legacy in summer next year. That means the commissioning of the plant and the testing, etc, etc, that the first tonnes will be available still in 2016 - that we have the ramp up of the entire operations in 2017 to reach the capacity in the first phase of two million tonnes at the end of 2017.

Of course we have a lot to do with environmental issues here in Germany, also here in the neighbourhood, but this requires a lot of work, but it is something that we are convinced that it can be managed.

Of course we want to strengthen more than in the past already our specialities, higher yielding products and of course the successful execution of Salt 2020 and maybe beyond. And of course cost discipline beyond 2016. You remember Fit for the Future from '14 to '16, Burkhard Lohr will talk about that later on, it's something that should not end its impact on the K+S Group at the end of 2016. So we will care that it will continue over this time. Maybe this is in brief - that's what we are aiming to and where we are dedicated from the Board of Directors to do that in that direction.

At the end of my presentation only one or two slides which I do not want to discuss in detail but I wanted to present it to you with the aim that K+S by its nature is a company that is looking for the long term and for sustainable development. And our vision, our mission and particularly our sustainability strategy is aiming to that.

When you read it carefully you see that this magic triangle between economy, ecology and social concerns, social affairs is something that is not a thing that treats all these three issues equally. We say that economy comes first and from economy we can drive to do the ecological issues as well as social activities. And only this will grant to a stock listed company - to a company like us, to every company the ability to do so. But it is something where are decided to do, so where we are dedicated to. And this vision, mission and sustainability strategy governs our activities.

So this brings me to the end of my introductory remarks. I would like to ask Burkhard Lohr to present his part and then we are willing to take your questions and try to give you the proper answers. Thank you very much for the time being.

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From Capex to Cash

Dr Burkhard Lohr, Group Financial Officer

Ladies and gentlemen a warm welcome from my side as well to our Capital Markets Day 2015. I'm happy to see some or many participants of yesterday's Q3 call so you underpin that you are really interested in K+S, thank you very much for that.

When we decided to acquire Potash One back in 2010 we started in a way a journey, of course we had a lot of good reasons, strategic reasons to make that move into another area, into a new mine. But from a pure financial perspective I would like to call that journey from Capex to Cash.

As you know we are spending C$4.1bn and of course we are driving for a couple of years, our capex, our leverage; we are going to have negative free cash flows and all that is reflected in our share price. But by 2020 we will be back with a leverage in our aspiration level, 1 to 1.5 times net debt to EBITDA, we will have huge positive free cash flows and we're going to have an EBITDA of €1.6bn. And I think we all agree on then current share price this is not fully reflected in our share price and we have discussed very intensively yesterday evening why is this the case?

Most probably it's a question of timing and the time horizons of entrepreneurs who investment for the future of the company and the capital market who have a shorter time horizon. But if this is a true story we will see the rolling in of the value into our share price as soon as we come close to the first one and Ulrich Lamp later on will show that this is going to happen pretty soon.

We take some important steps of course between the capex programme and the cash flow, one is the successful commissioning of Legacy, we have intelligently managed our balance sheet and our foreign currencies and Fit for the Future is a very important milestone as well. That is precisely what I want to talk about in the next 15 to 20 minutes.

Now where do we stand with our Legacy project and I don't want to touch on Ulrich Lamps part I just want to highlight some financials on the Legacy project. As of September we have spent 70% of the total capex programme of C$4.7bn. The peak of the construction and the capex programme is already behind us, the peak years were '14 and '15 and very important the main parts to suppliers are awarded already. In other words almost 100% of the procurement is done and that is very crucial for such a big project that means the project is significantly de-risked.

We want to take the opportunity here at the Capital Markets Day to confirm our view that the value of the Legacy project is between €11 and €21 per share and we want to explain why. So what are the assumptions of our discounted cash flow calculation? First of all we have taken very cautious assumptions for the potash price that we assume. We have taken the MOP grand Brazil which is our reference price and put into the model for the first couple of years a price below $300 and in the long end we're taking prices below $400.

Just to avoid misunderstanding that is not our view, we expect a stronger recovery of the market, but that is what we have put into the model.

Volumes, we expect to have available roughly one million tonnes in 2017 and as you might now we finish ramp up of phase one at the end of 2017. That means the first two million tonnes, the full capacity of phase 1 will be available in '18 and the ramp up will completely be finished for phase one and phase two by the end of 2023, so we're going to have 2.86 million tonnes available.

If you take these assumptions and vary the terminal growth rate between zero and 2% and the after tax WACC between 7 and 8% you end up with this 11 - with a band of €11 and €21 per share.

A big capex programme requires financial instruments and here you see the comparison between the capex requirements on the lower part of the slide and the financial instruments. The capex peak years are '14, '15 and '16 and you can see that our debt instruments are very well balanced with this development. We have issued three bonds, €500m each. And we have a syndicated loan of €1bn which is as we speak totally undrawn.

So we are fully financed and the cash requirements and the debt instruments are very well balanced.

Now what does the capex programme mean to the net debt and leverage? In 2011 we stated with net debt to EBITDA of 0.5 only, we're going to peak at three times this ratio and will be back in our aspiration level of zero to 1.5 times by 2020. It's very important to know that in our definition of net debt the non-current provisions are incorporated, shown here as the dark blue part of the bars. And these non-current provisions are artificially boasted by interest developments. It's important to know.

Let me show you the impact of the development of the interest rates, the discount rates on our mining provisions. I'm not mentioning here our retirement provisions, because due to the CTAs that we have installed the retirement provisions are rather small.

At the end of 2011 we have taken as a discount rate 4.7%. At the end of this year we are going to use most probably a discount rate of 3.2% and this difference makes an increase of our mining provisions, and in other words an increase of our net debt, of €400m. So this is not an underlying new calculation of the cost that we expect for the mining obligations this only driven by the lower interest rate. Hopefully one day rates go up again and then we're going to see consequently a reduction of our net debt.

To complete the view on our mining provisions I'll show you this slide. Some people believe that when we close our mines we have huge negative cash effects due to our obligations. Here you can see some numbers for the years until 2016. And you see no such huge numbers per annum. Our obligations have a very long time horizon, partially in term leasing costs and that's why the burden annual is rather small on the other time due to that long time horizon our provisions are so sensitive to changes of discounts rates.

Next chapter - our hedging strategy; we have two businesses which are following completely different logics when it comes to hedging, the Salt business - here we have sales and costs in the same currency mainly and we are only talking about translating these numbers into our European balance sheets. We're not hedging this because there's no cash related to the translation risk.

Completely different picture draws our Potash business; here we have almost entirely euro costs on the one hand and roughly US$1bn sales annually. So we have do something. In 2015 we have in addition to the sales roughly US$250m costs on the legacy side because many US based companies are working for us and we are have signed US dollar based contracts. That is in a way a natural hedge that we are using.

So the net exposure is US$750 and of course with the ramp up of Legacy that exposure will increase significantly. And due to this meaningful foreign currency exposure a proper hedging strategy is crucial. And briefly I want to explain our strategy.

First our principals, we're going to hedge against deteriorations of planned cash flows and earnings. Of course we cannot beat the market that's clear. But with the high volatility of foreign currencies we want to make our business more predictable.

One other principle that's very important to understand as well, we only buy derivatives if the underlying transaction is sure or is very probable, like the sales - next year's sales or the sales in our planning period, in this time, '15, '16 and '17 are very probable, that's why we use derivatives for that. And what are our goals?

We want to limit risks, on the other hand we want to participate in developments which are favourable for us and we want to reduce hedging costs.

Only 80% of the expected exposures are hedged to be flexible.

So that was a bit of theory, now what is the picture, or the precise development of 2015. First of all we have purchased a couple of US dollar Puts to limit our downside. The average of these Puts reflects our worst case; you can see that in the light blue line. The worst case for '15 is 1.36.

Secondly we have sold a couple of US dollar Calls to reduce our hedging costs. And with this transaction of course we limit our upside, but we can participate and the so called best case, dark blue is 1.22.

The grey dots represent our euro/US dollar rates and all goals are achieved with such a system. We limit our risks, we participate with more favourable developments and we save significant option costs. Granted as you can see with the real development of the US dollar we could have gained more without any activities in 2015, but I think the next slide will convince you that it is good to have such a system because we have already secured 80% of our 2016 exposure in the range between 1.23 and 1.15.

And for 2017 the picture is even more favourable, we have secured 60% of our expected exposure for 2017 in a band of 1.14 to 0.99, so a very favourable band and everything that we want is achieved, we have a very predicable development of our important portion of the US dollar sales.

And with this system we can look very positively in the year 2016 because even if rates are on current levels, let's take 1.10 we're going to gain, in this case 20 million, plus the positive impact of a stronger US dollar in this case we have taken a 10 cent stronger US dollar is much bigger than the negative impact of a weaker US dollar. We can gain 80 million and we would lose 25 million if the dollar weakens.

So the rule of thumb that we have given you for 2015 that 10 cent stronger US dollar is good for €50m additional EBIT was only true for 2015. That is important to reflect, because the setting of our options determines the numbers and for '16 this rule means 10 cent plus €80m compared to €50m.

Let's move to the next chapter, Fit for the Future - when we started this programme our aspiration was we wanted to save €500m in the period between '14 and '16, compared to our business plan that was in place at that time.

In the first year we have achieved already a higher number and we have seen a very important positive side effect. That project led to improved cost discipline within the entire Group.

And Fit is not only a cost cutting programme, it is a source of in house financing, because all Fit costs are cash costs and that means that we deliver - that Fit delivers a financial contribution of the size of one of our bonds, the €500m cost savings in this period of time we save our cash in the same magnitude in the same period of time.

So what are the annual contributions? As I said we started in 2013, in autumn 2013 and even in '13 we have saved €30m sustainably, that's why we have this positive effect throughout all the periods, compared to '13 we have saved another €120m plus in '14 and you can see with the light blue bars that we are targeting additional savings to the €120m. So '15 should deliver more than '14 and '16 more than '15.

Our target is that all measures are sustainable measures in 2016. That means that we gain from this positive development in the period after '16. And as we have started so many initiatives we know now already that we will see growing cost savings in the years '17 and '18 from the original Fit programme.

And in addition to that we want to maintain our cost discipline and currently discuss how to achieve additional savings after 2016. So to sum it up Fit for the Future is from different perspectives a really strong and important tool for us.

So I called my journey from Capex to Cash and that is the cash flow development that we are expecting. We will be cash flow positive in 2017 already and we are growing our cash flows on a level that the company has never seen before. And as I stressed earlier we hope that this will be reflected in our share prices as soon as possible. The whole management team, the whole company is working very hard for that.

In 2020 we expect the €1.6bn EBITDA and remember that Legacy is not even fully ramped up by 2020 so we have three more years with growing volumes from Canada. But besides that be assured that we continued to be financially disciplined and therefore let me remind you of our goals for our capital structure. Net debt to EBITDA we want to move in a range between 1 times and 1.5 times net debt to EBITDA. Net debt to equity, the maximum is 100%, equity ratio should move between 40 and 50%.

Only for net debt to EBITDA we do not achieve our aspiration level currently due to the historical investment in our Legacy project, but we will be back in that range by 2020.

That's my last but my favourite page, when it's time to harvest - and that's not that far away, we want our shareholders to benefit. We maintain our dividend policy of a payout ratio of between 40 and 50% of net profit. We continue to be an investment grade rated company and funding further growth share buybacks and special dividends or a combination of these measures are measures - are real options for us to use the excess cash.

And that's I think the best slide for a CFO to finish their presentation. That's why I think you for your attention and I hope you enjoy Merkers and we are now happy to answer your questions.

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Questions and Answers

Norbert Steiner, Group Chief Executive
Thank you very much as scheduled we are on time for the 20 minute session for questions and answers, please wait for the microphone and tell us your name?

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Tom Wrigglesworth, Citi
Hello, two questions if I may, firstly on the addition of Legacy, as those new tonnes come into the market are you expecting just with the natural growth of the market to absorb those extra tonnes, or which tonnes do you think will be displaced? That's my first question.

And the second question on the hedging, has there been a change in the hedging costs given the increase volatility in currencies have hedging costs materially changed on the FX between the hedging you've done for 2016 versus 2015? Thank you.

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Norbert Steiner, Group Chief Executive
So I would like to answer the first question of course it something that pertains in the area of Andreas Radmacher but as the question is on the table I'll do that. First of all - we need to see that we have a ramp up in 2017. That means that simply speaking there will be one million tonnes available and in 2018 almost we will have two and then the secondary mining comes slightly in which is a good regulation for the situation in the market place.

The second remark we have a combination of potash for the agricultural sector and potash for the industrial purposes, 40% industrial means that we are in areas which are generally not in that discussion whether over capacity, what over capacity means is being dealt with, and therefore I concentrate on the rest, which in 2017 - let's take the one million tonnes would be about 500 to 600,000 tonnes and I think this something that is doable.

Despite the fact that there is a lot of over capacity let's say - at least from the paperwork there and further capacities are coming on. We have talked about our particular strengths, a good relationship with our customers, a clever logistical concept, etc, etc, lower cost and the desire of many of our customers to source more capacity - more material for us.

We have, since years always been in a situation that we needed to frustrate them and say wait for 2016, '17 then we can maybe satisfy your demand. And from that perspective I'm not pessimistic that we will be able to place the material.

One last remark on that, I used to mention also in the financial markets activities we will have the shutdown of our Sigmundshall mine about 600,000 tonnes by 2020, 2021. So when you compare that with the achievement of the first phase in 2018 this is not that very far away from that. And we say that these mines that we intentionally shut down are something that we can compensate with Legacy. And with a view to that I think the volumes that are coming to the market from K+S compared to other companies that are very much running into big capacities with no answer on the question how can they make use of that, that is not our case.

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Dr Burkhard Lohr, Group Financial Officer
Yeah hedging costs - the costs of the Puts of course have increased significantly because of the high volatility you have mentioned yourself, that's a good reason for our colour structure, because we can save with the selling our Calls a significant portion of hedging costs. That's the intelligence of this system and by the way I showed the year 2015 where we are with the current rates out of our band, this is very rare. So in this year granted as I said we cannot fully participate at the favourable development, but in the history we were in the band and we saved costs and that was a very intelligent tool. And again look at '17, we have locked in a very favourable band for us.

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Oliver Schwarz, Warburg
Thank you, just a follow up on what you've just said Mr Steiner, looking from your hedging rates in 2016 with Put at 1.23 and the Call at 1.15 it seems like if the exchange rate remains at the level it currently is you will again be out of the range, but still you expect a positive impact of €20m, how does that work? Do you have more Puts in place than Calls or is there an equilibrium in between, so why do you expect a positive impact after hedging costs from the hedging when you remain out of the respective band?

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Dr Burkhard Lohr, Group Financial Officer
My Schwarz thank you for that question, technical is it possible to go back to my page 11, if not I think I can make it like that? First of all your first part is correct we would be out of the range again, but with a more favourable - the range is more favourable than the '15 range. Maybe you move to page 12, so we're not fully participate in '16, but we

participate in a bigger magnitude than we have done in '15 and that's the reason why we gain €20m if rates don't change at all.

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Oliver Schwarz, Warburg
Okay, I'll think about it. Just a quick one on what you said - my second question would be that you said that Legacy once it's operational will approximately double US net exposure versus 2015, I guess that's - wanted a comment if you consider the exposure versus the Canadian dollar because most of the cost obviously will be Canadian dollar and most of the revenue was - and earning streams will be in US dollar I guess. Will that somehow change your hedging policy as well, will you change from let's say a hedging US dollar versus Canadian dollar - versus euro then, or how do you do that?

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Dr Burkhard Lohr, Group Financial Officer
In fact that makes hedging a bit more complex and I have used only the easy version to show you just euro against US dollar, but the fact is a strong dollar, US dollar is still good for us because we are going to have from our Legacy mine US dollar sales and Canadian dollar costs. And we have to hedge this new pair as we have hedged the euro US dollar pairing before.

But on the current rates we are by far more favourable than we originally assumed when we put together our figures firstly in 2011, we also had parity between the US dollar and the Canadian dollar and you know how weak the Canadian dollar has been and we think that is a more sustainable development. So there is really something positive in for us, but the hedging strategy is principally the same, but it's more complex because now we're talking about three different currencies.

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Oliver Schwarz, Warburg
Thank you.

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Stephanie Bothwell, Bank of America / Merrill Lynch
First question on the €1.6bn in medium term EBITDA guidance for 2020 can you perhaps give us a little bit more colour in terms of how that's made up, so how it's split between Salt and Potash and what your underlying assumptions are in terms of pricing and costs?

And then the second question is a bit more technical, so on Legacy you said that you use a $300 per tonne price assumption in the early years and that moves up to $400 per tonne into the medium term, can you just confirm that that $400 per tonne is $400 in today's money, so it's a real number and then that is indeed inflated forward? And why $400, so where does the $400 per tonne number come from, is that based on your view on supply demand, or why is $400 appropriate long term price?

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Norbert Steiner, Group Chief Executive

So I'll start with the first question, we generally stay with what we say in our quarterly report and the additional remarks that you get afterwards. But as you have seen with a view to the fraction of the contribution of the Salt operations it will be a significantly higher contribution from the Salt operations to the expected EBIT in that band and with a view to that I would not like to go more into detail.

But you see already with the development of the first three quarters where we are significantly above the third quarter 2014 it will be a very, very substantial contribution of that. And with a view of that we need to of course recall that there are certain assumptions underlying our corridor for our revenues and EBITs and of course this is something that is based on the fact that we expect a normal winter in both areas, in Europe and in North America as one of the prerequisites for the achievement of that corridor.

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Dr Burkhard Lohr, Group Financial Officer
Coming back to the main assumption of our Legacy valuation, first of all a small correction we said below 300 in the beginning and below 400 in the long end. Why 400? Very good question. I think nobody is arguing our megatrends and we are not talking about ten years or 20 years, we are talking about 70 years, so there are a many good reasons, many real good reasons to believe that we will see a very balanced situation then and very healthy prices and I personally believe that we will see higher prices, that's why I called that a very cautious assumption.

Just to remember in early '13 we had prices in Brazil north of 500. So of course that is an entrepreneurial decision what you put in here, but we believe that's cautious and there's not myth underlying of this assumption.

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Christian Faitz, Kepler Cheuvreux
Two questions, can you remind us of the interlink between Salt and Potash especially in Europe. I guess obviously these are very separate businesses in the Americas, so you know where is - you know in terms of geological mining structure how is the interlink between your Salt operations and your Potash operations?

Second question would be a few years ago you were musing about reactivating some retired German mines ….. for example and you were also musing about buying the one - mine who's name I forgot - thank you. So if we were again in a $500 per tonne potash world what would be your strategy in terms of developing the European mining structure?

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Norbert Steiner, Group Chief Executive
I will try to answer both questions. Geologically we are here in an area where you have both potash, salt, sulphur, magnesium, and it would be possible to operate a salt mine here, above and below. But we have here the filling that we take out or have taken out and therefore we concentrate in our mines either on potash or on salt. And with a view

to that we have done that specification and specialisation very intentionally because it is simply cheaper to have it separate.

On the other hand as you will see this afternoon, machine that could also be used in b….. you see techniques, shafts, pillar - Roman pillar system. This is the reason why we are convinced that synergies are significantly more intensive and bigger when you have together the salt and the potash mining rather than potash phosphate and nitrogen.

The second question going to the reopening of mines ….. is something that has been taken away from the table since a couple of years also because there were no real interested parties when the prices dropped. We are continuing the process to at least bring together the basis for a decision to reopen s…. yes or no. We are in the process of the check whether this can be allowed by geological mining laws, etc, reasons and we expect a decision of the lower …… authorities in the first quarter 2016. And after that this is nothing new, we will decide whether we go ahead or not. But I say of course we need to look into future economics of that mine, but I do not talk about any price assumptions that you have embedded in your question. Next question.

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Markus Mayer, Baadus Helvier
Two questions, one on the cost savings, this chart you have shown then extra savings into 2016, '17 not referring to the exact amount, but are these extra savings good enough to tackle inflation, basically the savings you achieve this year will remain over the next years on the number?

Secondly can you give us some more flavour for the assumption for the cash outflow numbers for the depletion of the mines, what are the assumptions there?

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Dr Burkhard Lohr, Group Financial Officer
Thanks for the questions, between '16 and '17 we have two effects, the first - I would to call it the ramp up of the original Fit ideas because they roll in and area sustainable and are showing their full effect partially in '17 only. And the second additional savings will be our new ideas about cost savings and the ambitions to continue with the idea of Fit. And both together are surely able to compensate inflation.

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Norbert Steiner, Group Chief Executive
So I have seen Andreas Radmacher raising his hand it would be most likely - the last or the penultimate question for that round.

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Markus Mayer, Baadus Helvier
No the German mines as we've already said Sigmundshall might be closed in 2021 what does it mean for the spilt in the products, is it more industrial you will look at or is it more specialties, how does that change?

And if I go back ten years and I think the production of the German mines was 8 million tonnes, now it's 12 to 7 million tonnes, how will that look like for the ongoing mines in let's say ten years from now, is this is a gradual decline, is of the level accept Sigmundshall stable for a long time?

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Norbert Steiner, Group Chief Executive
Sigmundshall is comparable in its product range Legacy when you take into consideration MOP for agricultural purposes and also for industrial purposes. There are some small activities there as well, but it will not significantly change let's say the structure of our - volume wise of course, but not change the structure of our product range between Potash, MOP for agricultural purposes and for industrial purposes and the Specialities as well. So it's a mine which is not only doing MOP.

The second question, you'll remember better than me, I have 7.5 in mind that we've mentioned that for a couple of years and we were technical or not in the shape to do that. Structurally we see that we are moving away from the initial area and whenever you start a mine you are doing that most likely and in most of the cases in the centre of the best raw materials. So it is a dilution process that takes place over the time you need to hoist more material in order to have the same output. And with a view to that we have seen of course that we are reduced - that stake from 7.5 to 7 at the moment. But we have still changes to ramp that up; we have other ideas in mind with a view to the utilisation of let's say the 365 days a year. We have also other ideas to utilise machinery better than we have already achieved, at a better level than we have already achieved.

We will also see additional volumes of material that we can sell from our installations for ecological purposes and with a view to that we will see slightly but steadily at least a structural ramp up of our German output in the next couple of years.

So the last question?

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Question
I would be interest in your view on the potash application in emerging markets, especially in China and India if they would apply the optimum fertilisation rates what potential could arise from these markets once they would increase the rate of potash?

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Norbert Steiner, Group Chief Executive
I'm tempted to hand it over to Andreas Radmacher but I give the answer already because you might have a lot of questions after his presentation. So the Chinese have said a couple of years ago 20 million application and they will do that in the neighbourhood let's say of 11 right now. There is a cut - to say it this way, in a way that they simply don't apply what they could and should economically do. And as a long as this - let's say political driven system is in place we always need to see what the Chinese be able to do by domestic sources and what do they import.

We always try to bring over balanced fertilisation and this is something which is not yet achieved. We have made big progress in the last decade, not yet achieved in the various areas of the world, so this is also something that the financial markets bring over balanced fertilisation is key?

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Question
Can you say something about the time horizon that you would expect, would that be a matter of five years, ten years until they would understand the …?

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Norbert Steiner, Group Chief Executive
Once again this knowledge is already know as in 15 years but we have not yet moved the political area in China to use that better. From that perspective it has and has always been in the past and will continue to be in the political issue behind. And this is unpredictable basically.

So if you allow me to close this first question and answer session in order to enable my colleague Mark Roberts to tell you everything about our Salt operations. Mark, please?

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Salt - Indispensable for Life … and for K+S

Mark Roberts, Salt
Well thank you and good morning from my side to everybody, welcome here to Merkers. It's a pleasure for me to be here today to provide you with an overview, to provide some insight into the business unit for which I'm responsible, that is the Salt Business Unit, the S in K+S.

Certainly due to time constraints I can't provide a very deep dive on a business that is inherently fairly complex from a market stand point. But what I hope to do today is to provide you with some insights into the markets we're serving beyond the de-icing, provide you with some insight into our Salt 2020 strategy and then provide you with a bit of a view to the East and what our expectations are for Asia.

So I think to help ground the conversation today it's helpful to understand where we've come from in the Salt business and as Norbert Steiner pointed out from the beginning the Salt business for us historically was mainly a German focussed business in the de-icing and industrial markets. But it grew substantially over the years through the acquisition of the Solvay shares of the joint venture, through the acquisition of the Frisia Zout plant in the Netherlands and eventually through the acquisition of SMO, the small packaging facility in the Czech Republic. To create what is today Esco European Salt Company the leading Salt supplier to the European market.

Of course we took a significant step forward in 2006 when we acquired Sociedad Punta de Lobos, the SPL business with this large low cost open pit mine in the Atacma desert in the northern part of Chile as well as a sea salt operation in Brazil.

And then for us we really took an even more significant step in 2009 when we acquired the Morton Salt business in North America with the iconic brands the Morton Salt Umbrella Girl in the United States, in the Windsor Castle brand in Canada.

So what does that mean for us today? It means that we have from a production and packaging perspective more than 30 production sites gathered across three continents, we have high quality products, we're producing at locations that provide close proximity to our customers. We have really best in class supply chain knowledge, supply chain assets when it comes to our ships that we utilise to ship products from Chile to Brazil. A footprint from a production standpoint that is unrivalled in the salt industry.

When it comes to our market breakdown and what our business looks like I know there's always a lot of discussion about our de-icing business, I think all the questions yesterday in the analyst call were all focused on de-icing and it could be because that's the most visible part of our business and it's certainly the most volatile part of our business that's for sure. But if you look at 2014 when we normalise for winter effects it's less than 50% of the revenues of our total business unit Salt.

The majority of the revenues of the business unit are coming from non-de-icing business, non-de-icing market segments, industrial segments, chemical segments, consumer products, food processing segments, etc, I'll provide some additional insight on that today, I think it's important to understand that. Certainly from a volume standpoint de-icing represents more than 50% of the business but from a revenue standpoint less than 50%.

And maybe to pre-empt a question that might arise at the end when we talk about margin breakdown I won't provide a breakdown of the margins by segment, but I can say that we have a nice healthy balance from a margin perspective between the various segments that we're serving, it's not heavily influenced only by the de-icing business.

But to provide some insight on the markets that we're serving I'll start off with de-icing again because it's the market that people like to talk about and I think the chart that you see here is very, very important and this shows the footprint that we have from a market perspective in both the North American market and the European market.

The shaded blue circles that you see represent the markets that we're serving, this market presence is absolutely unique to K+S in the Salt business, you see that we have a very strong presence in the European de-icing market, that's not just Germany, that means Benelux, that means Scandinavia, that means Eastern Europe, Northern France, so we're well represented in the European market.

And if you look at North America you can see that we are active in all three of the very important de-icing regions in North America, the Mid West, Canada and the US East Coast. No other salt producer has the ability to balance the different weather patterns in the geographies that we have, as Norbert Steiner pointed out earlier this enables us to manage volatility of weather. We have green winter in one region; it's likely we'll have a stronger winter in another region to help balance out the financial results.

So from a footprint standpoint on the market you'll see that we're well balanced. The red dots that you see on the chart here as well represent the production sites from which we are supplying these core markets and the arrows represent what we consider our standard sourcing patterns so the production locations that are supplying these regions in a normal winter.

We have a unique ability though to augment this in unusual weather patterns that maybe strong in one region and mild in another region in a way that no other producer can do. If you look at the situation where we have a very strong winter in Europe we have the ability to ship product from our American mines into the European market. We can and have in the past shipped product from Chile, from the Bahamans, from the Canadian Maritimes into the European market in periods of very strong winters.

And we have done so in significant volumes in very strong winters in Europe we've done this to the tune of a million tonnes or so, enough to move the needle. Conversely when we have a strong winter in North America and a mild winter in Europe we have the ability to ship product from our German mines to the North American market. We've done that for the past two years because of the very strong winter in North America. This ability is absolutely unique to K+S and this really helps us take advantage of those extraordinarily strong winters, the 125, 130% winters in a way that no other producer, no other supplier to the market can do.

But as I said it's not just about de-icing, our business is more than just de-icing, we are very strong of course in consumer products segment and the consumer products segment means food grade table salt of course, packaged water softening products, pool salt which is a growing business for us, even packaged de-icing products that consumers are buying at retail.

And I had a conversation with one of you last night talking about this market place and I think there's a perception that this is a low margin commodity type of business. It's not and it's not particularly in the Americas where we have very, very strong brands. As I mentioned when we acquired Morton Salt we acquired this iconic Umbrella Girl brand who by the way celebrated her 100th birthday last year, she's 101 years old in 2015; a very iconic brand that conveys trust, quality and reliability to customers when we do customer surveys.

The Windsor Castle brand in Canada does the same and we have very strong brands in South America as well, the Lobos brand and the Biosal brand. And the question is what does that equate to from a business perspective, it's not just that we have a nice brand that people recognise, this enables us to command significant price premiums at retail. So the Morton round can, the blue can that you see at the top of the slide here, this iconic package that consumers know very well, we command a roughly 60% price premium compared to competitive brands in private label and we see even opportunities to increase that further.

When we look at our water conditioning business, our packaged water conditioning business which in North America is a huge business for us we command roughly 30, 35% price premiums compared to competitive brands. And in South America our Lobos and our Biosal brands are also commanding a similar 30% type of premium over competitive products. So it's not again just that we have nice brands it's that this really adds value to our portfolio and consumers have a preference for these products, it's significant.

When it comes to industrial salt, industrial salt for us represents quite a broad basket of products and applications, we're selling product into the oil and gas industry, the food processing industry, commercial water softening industry, lots of different industries, it's said that there are 14,000 applications for salt, certainly the vast majority of them fall into the header of industrial.

And here we have a unique characteristic in that we have this broad production network where we can supply product where we can supply products from close proximity, provide outstanding service and we have a broad array of products because we're producing products from the three basic production methods, mining, solution mining or Evap as we call it and Solar Salt. And so we have a broad product portfolio, the broadest in the industry and we have close proximity to our customers.

One additional benefit that we have with this broad production network is the ability to provide redundant sources of supply to our customers. We have some very large customers, food processing companies, general mills, con agro that want two sources of supply to guarantee sourcing in case something happens to one production site. For many suppliers they say well we need two sources of supply, two different suppliers, we have the ability to say to them you don't need suppliers, two suppliers, you can buy everything from us because we can supply you with the same product from two different production sources.

And that gives them the assurances they want that if something happens to one production site, if there's a hiccup in production we can supply them from the other production site. And so they can rely on our quality, on our service and give us 100% of the business because we can guarantee them the source of supply from two different sources, that's unique to us.

When it comes to chemical salt, chemical salt and the chemical demand for salt means the electrolysis, the conversion of salt to chlorine and soda ash for downstream production of PVC, of glass for the construction industry. On a global scale the chemical market is the largest market for salt by far, it eclipses de-icing by a wide stretch. And this is a market that we are very active in, it's a market that again our broad production portfolio enables us to be very successful in.

We also have this wonderful low cost asset in the northern part of Chile that I referred to earlier which is producing rock salt at a quality that is very, very comparable to many Evap quality productions so very low cost in the mining in Northern Chile and a very high quality product.

I don't want to spend too much time on the markets because I could talk all day about that, I'd like to move on a little bit, I'd like to take one slide and talk a little bit about the synergies between Business Unit Potash and Business Unit Salt. Certainly we talk a lot about de-icing, you talk a lot about de-icing and in the Business Unit Potash we talk a lot about the fertiliser application. But if you strip out fertiliser on the Potash side and you strip out de-icing on the Salt side the vast majority of the markets that remain are common to both business units, and here again we're talking about oil and gas, we're talking about food processing, we're talking about pharma, we're talking about feed for animal feed, a lot of common markets.

And looking back over the years historically the two business units within K+S worked very much independently, that has changed dramatically in the past two years and will change increasingly in the coming years because Andreas Radmacher and I are of the belief that we have the need to have one voice, one face to customer. We can really leverage relationships that we have in markets, relationships that we have with customers maybe in one business unit or another for the good of the company overall.

I'll give you one example maybe to help out, historically business unit Potash was selling their food grade potassium chloride in North America through their own sales network, they have a small sales office, it was difficult for them to really broadly reach the market. Today all of the food grade potassium chloride that's been produced by Business Unit Potash is being sold through the Morton Salt sales network. So the Morton sales people that are calling on not just the very large food processing companies but also the mom and pops as well are successfully selling this business unit Potash, potash into the market place and this is going extraordinarily well.

And it's not just a one way street, it's not just that business unit Salt is selling products to business unit Potash the opposite is happening as well and we as business unit salt are looking for great opportunities to leverage relationship that business unit Potash has in markets. For example in Brazil where business unit Potash has a good relationship with the agricultural markets we as business unit Salt are looking to see whether they can help us sell our food grade products to the feed industry in Brazil.

So there are a lot of commonalities from a market perspective that we intend to increasingly leverage and utilise in the future. Of course there are a lot of commonalities from a production standpoint as well so the mining methods are very similar, we're developing common KPIs and operational matrix to compare and make sure that we're using best practices between both operations and both business units but again a lot of synergies on the market side.

So now I'd like to talk about 2020 and our Salt 2020 strategy, this is for me and for K+S something that has really transformed the business and has given the people within the business unit Salt a real target to shoot for. This was a strategy that we developed over the course of 2013, we launched in January of 2014, it was a bottom up developed strategy where we engaged roughly 400 people from within the business unit and we asked them to come up with ideas for strategic initiatives that could fundamentally drive the business forward.

We asked them to do that in an unconstrained way, we said come up with ideas, what can you think of that can help drive the business forward, as you can imagine when you ask the people to do that you end up with a long list and we did end up with a long list. And as our management team we vetted that list down to initiatives that we felt were achievable from a capital standpoint, from a human resources standpoint, taking the competitive landscape into consideration.

And we ended up with a list of strategic initiatives each of which has a hard financial target associated with it and that became the basis for our Salt 2020 Strategy and the basis for our target of saying that we intend to double earnings by 2020. I'll elaborate a little bit more on that in the next slide.

So what you see on the bottom of the slide is the development of our earnings from 2010 to 2011 to 2012 when we really saw the bottom, we had green winters in both regions, we didn't have our costs in check, we weren't operating efficiently. And we as a management team said we need to do something and we need to transform the business and over the course of 2013 we developed a strategy and we launched it as you see here in January of 2014.

What we've communicated and what was already communicated to you today is that we expect from a financial perspective to achieve earnings of €250m EBIT by 2020, a minimum of €250m EBIT by 2020 with €400m EBITDA. That is certainly normalised for winter effects so it's conceivable that over the course of the ramp up to 2020 we may be above that or below that.

It's not inconceivable based on Q3 that we're €228m EBITs through Q3, it's not inconceivable that we'll eclipse €250m this year. But certainly when normalising for winter effects we're not yet where we want to be. The reason we say double earnings by 2020 and the reason we communicated that internally is that I have 5,000 people in my business unit and many of them are familiar with financial metrics that you see at the bottom of the slide but many of them are not. So I may have a minor in Weeks Island Louisiana or a truck driver in Brazil and he or she may not really know the details of our financial situation, they may not really care. But when we communicate that we intend to double earnings that means something to every single one of the people in my business unit.

And it's really a rallying cry for them, they know they need to do something every day to contribute towards that goal. And so when you ask anybody in my business unit what is our 2020 goal everybody knows it's double earnings and they know they need to contribute to that.

So as I mentioned our 2020 strategy is comprised of a lot of individual strategic initiatives; I certainly can't give you a long list today and give you a lot of perspective into a lot of them, but I would like to maybe give you two examples to provide you with some context to the types of initiatives that we're looking at.

On the left hand side of the slide you see an initiative in the copper industry in South America. Here we are developing along with customers and university a new technique to extract copper utilising salt as well as sulphuric acid and this is improving the yield for the copper producers and reducing the environmental footprint.

Five years ago this market didn't exist, we expect that by 2020 this will be a million and a half tonne market, we don't expect to be supplying 100% of that volume but we expect to be supplying our share.

On the right hand side of the share you see projects SCORE which is an efficiency and cost savings programme going on in North America today, I won't go into details on this but suffice to say that we expect to see significant efficiency and cost gains in North America, again all part of our 2020 strategy target.

So moving on and due to the time factor I think I'd like to provide a little bit of a perspective on where do we go from here. So I showed you this slide earlier showing you the regions that we operate in today, certainly one of the regions that we want to look at in the future is Asia and Asia for us is a white spot on the map and the question is why do we want to look at Asia, is it just because it's a white spot on our map, no it's because we see Asia as being a significant growth market when it comes to salt.

In 2014 Asia represented 46% of the global salt demand, by 2020 we expect it to be more than 50% and if you look at that demand growth we expect the demand growth, and this is coming from Roskill Data, between 2012 and 2018 will grow by 39 million tons, it is a growth market to be sure.

The majority of that growth is coming from the chemical sector, if you look at Asia today three quarters of the demand is coming from the chemical sector, the top of the slide shows increasing demand for PVC from 2012 to 2018, again this is industry data, we expect that that growth will continue.

And you can debate whether the growth rate in China is 6% or 3% but even at a lower rate it is growing on what is already a very significant base and we see the demand for chemical salt in Asia growing significantly to the point where even considering greenfield and brownfield projects that we're aware of we still see a supply gap by 2020 of more than 8 million tonnes.

So for us we have to look at ways that we can supply this market. This is a map that shows the distances from the import sources into China, and you can see while Chile is accessible and we have shipped product from our low cost mine in Chile to the Asian market we don't believe that that is a real long term sustainable option for us. So today we are looking at various options for supplying the Asian chemical market, the big bulk chemical market, I won't go into detail and if you ask me I won't give you any detail on it but we are looking at various options to sustainably have production that can enable us to be successfully competitive in the Asian market.

But it's not just about the chemical market, there are other markets in China and Asia as well, we have a presence already in the branded table salt market in China. I think it's important to understand that more than two thirds of the global salt demand for edible salt is coming from Asia. It's not just because of the population there, which of course is a significant contributor, but also due to the fact that per capita consumption in Asia is significantly higher than Europe and North America.

Today we have a joint venture with Shanghai Salt, Shanghai Salt is part of China National Salt and that's really important because in China the edible salt market is governed by a state monopoly policy, so you cannot supply edible salt into the Chinese market unless you're somehow selling it through a China National Salt entity. We are doing that today with our partnership with Shanghai Salt, we're importing salt into

Shanghai, we're packaging it in Morton Salt Chinese labelled round cans, selling it at retail at a premium price and that brand is becoming increasingly recognised and valued by the Chinese consumers.

And then finally when it comes to the pharmaceutical market, the pharmaceutical market is also a significant market for us, it's a high margin market we have a good relationships on a global scale. We have relationships with all of the big and infusion and dialysis producers, Baxter, B Braun, Fresenius, these producers want to move into the Asian market, they're looking to partner with somebody that they know and trust. And so we are looking at the pharmaceutical sector in China and looking at how we can deliver a footprint there as well. We're in the early stages to be sure, but we see this as an interesting and exciting market for us moving forward.

So in summary you see that we have very broad footprint, we've developed the business nicely over the years but we still see opportunities for growth. Our Salt 2020 strategy is absolutely on track, we will achieve more than €250m EBIT by 2020. I was at a road show a couple of weeks ago and somebody said to me, everybody has a financial target for 2020 nobody will achieve it. I can assure you will achieve it. And we will achieve it because we are constantly monitoring each of the initiatives that make up our 2020 strategy.

Norbert Steiner at the beginning of the presentations today pointed out the vision and mission for K+S as a group and we within business unit Salt absolutely live by that same vision and mission. But when we developed our 2020 strategy we felt it was important to also develop our own vision and mission and within the business to again create a rallying cry for our people, something that our people could really feel passionate about.

So our vision is to enrich and protect life through the power of salt. And our mission is simple, we love salt, every day we will work passionately as a global team to provide the world with this essential mineral. And we will deliver value to our customers and grow our business in a sustainable way, through our unique people, products and production network. And with that I think you for your time and we can open it up to questions.

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Questions and Answers

Norbert Steiner, Group Chief Executive
Thank you Mark, the first fingers were up already.

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Jean-Francois Meymandi, Morgan Stanley
Just a question you said that you might overachieve targets already this year, yet have the same target for 2020. If we - let's say assuming that we would use a normal winter for this year what would be already your progress on the underlying here and yeah how can we think of exceptional and non-exceptional on your result side for this year?

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Mark Roberts, Salt

Good question I appreciate that question. Yes certainly when we put our strategy in place in January of 2014 we had a ramp up towards our 2020 target. When we normalised for winter effects in 2015 I can tell you that we're actually tracking slightly above our plan. So I won't provide you with the detailed number on where we would normalise the effects because also we're not finished with the year yet, so we'll have to wait and see what the Q4, say the end of November and December weather brings. But I can tell you that we are well on track if not slightly above.

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Stephanie Bothwell, Bank of America / Merrill Lynch
Thanks. Just on the target to double earnings in Salt by 2020, can you just confirm that that is all organic growth and there are not external M&A options that are baked into the guidance?

And then secondly you said that you were looking at options in terms of increasing your portfolio in Asia. If you were to do some type of M&A can you give us an idea in terms of what size of M&A or bolt-on acquisitions you would be looking at, like what does the market look like in Asia in terms of Salt?

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Mark Roberts, Salt
Yes, so maybe the first question I think our 2020 strategy is primarily based on organic growth. We have not built into the equation significant M&A associated with that. So that is generally growth through increasing market share in existing markets that we feel we're underrepresented in, growing in regions that are clearly growth regions for us but utilising our existing production network. So the vast majority of that is organic growth.

When it comes to Asia and M&A opportunities in Asia, certainly when you look at the chemical market and I referred to the chemical market it is a large volume, large scale market place. And in order for us to be successful in that market place we need to have production that can somehow bring some volume there. I won't provide context in terms of what that means in terms of volume or even capex, but again we are evaluating various options that will enable us to take a significant share of the growth that we see in Asia - too early to provide more perspective than that.

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Oliver Schwarz, Warburg
Two questions if I may, Mark you said that the margin - not the margin but the price in Morton Salt versus competitors and private labels is like 30% to 35%. I guess that tags along with additional marketing cost, so higher marketing costs - obviously. It seems like - especially private labels are making additional inroads also in the US markets and that brings me to the question how much growth have you baked in to your guidance when looking at your established markets, not at your growth markets in China and elsewhere?

And I think that goes along with the question regarding salt for oil and gas drilling fluids mainly in the US and the oil drilling industry. How much growth of your respective customer industry have you baked into this €250m, is that - let's say has that become a bit more volatile with the recent fluctuations and basic material prices and so like oil price, gas price and so on?

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Mark Roberts, Salt
Maybe I can answer the last question first, when it comes to oil and gas specifically we don't have a significant presence in oil and gas it's not a huge market. So we're not really subject to - we're subject to the oil and gas demand but it's to really moving the needle for us significantly when we look at our €250m target. So there's not real issue there.

I think it's important to understand that again we have a very complex market place, with literally thousands of products going into lots of different applications. So it's difficult to paint the market and our business with a broad brush that's for sure. But your question about the brand and maybe the inroads that private label are playing and the price sensitivity that we see there, we have increased the pricing on our branded products sizably in the past two years without loss of market share. And we've been able to achieve that, because again, consumers see tremendous value in the brand and they go and pick up the brand that they trust.

I had a conversation with one of you last night talking about the round can. Keep in mind the average price for the round can in North America today is roundly 89 cents; the average American buys one a year. Whether that price is 89 cents or a $1.29 frankly consumers don't care. We do a lot of consumer research and our research always shows that consumers have no idea what they're paying for the round can. They reach for it because they know it, they grew up with that brand, that's what their mother and their father used and that's what they buy. And so we've moved the pricing upwards without any deterioration of market share. So there's certainly a limit to be sure, but I don't think we've even tested that limit yet. I don't know whether that answers your question completely?

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Norbert Steiner, Group Chief Executive
One additional remark, salt is generally a very simple product and the challenge and the particular, let's say view, into the salt market and into a salt company is that you make more out of the simple product. And with a view to that what Mark mentioned with a view to oil and gas of course when fracking is a little bit weaker than you could imagine that also the sales into that area are a little bit weaker, certainly. And these are niche markets that we talk about. But you need to develop also these kinds of niche markets first because at one point in time you ask yourself could salt replace something else that has been used so far.

And when we for example look into the oil and gas industry this is something that was only rarely used and where we have made much more volume for us out of that. When you look into what Mark mentioned with a view of the copper industry in Chile for example the used much harder elements in order to extract copper from the raw material and we say - take the simple salt, we try to make a patent out of that - and reduce your cost and reduce your ecological impact and we make a business out of that.

And this is maybe the high level of the art of salt production and salt sales. And this is something where we are looking around very intensively.

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Christian Faitz, Kepler Cheuvreux
Just quickly can you remind us of the dynamics of the de-icing industry, i.e. how you talk to your municipalities, stockpiling of municipalities, things like that? How much of a winter break you really need in Q4 still to make up for the fairly warm weather in Q4 in Europe at least? And then maybe also compare and contrast the dynamics between North America and Europe, you know are municipalities buying differently in the US compared to municipalities in Germany or Europe? Thank you.

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Mark Roberts, Salt
Yeah, good question a difficult one to answer in a short period of time. I would say in general there are commonalities between the way the de-icing market works in Europe and North America. We don't talk to the municipalities, the municipal business is largely a tender business a bid business where the municipalities asked for a certain volume given a certain quality criteria and certain service requirements and you bid on that knowing what those requirements are and the low price wins the business. Low price can mean low price by €1 or 1 cent.

And so we have very experienced people that do that work for us, I was mentioning last night that it takes a very special kind of person to able to accept losing a 100,000 tonne bid by 1 cent and going about business the next day and focusing on the next bid.

When it comes to weather, certainly yes it's mild outside here in Europe, it's mild in North America, it doesn't concern me in the least. We typically are not expecting any kind of weather, not even expecting significant cold temperature this time of year. I don’t get nervous about that at all. We typically don't expect significant movement until mid-December. In North America, certainly coming off the strong winter that we had there the early buy has been stronger than it has been in previous years. We've seen that and we expect that to continue over the course of the remainder of 2015.

And certainly if weather - and when weather not if weather, when weather comes in Europe then we could expect a normal flow. So to discuss the dynamics in more detail than that I'd be happy to talk to you during the break, but it's difficult to again generalise the business more than I have.

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Michael Schaefer, Equinet Bank
Two questions if I may, the first one sticking to the North American de-icing salt business, I mean I wonder if you can put some light on the competitive situation we currently see. I mean we have seen some news that some competitors of you have been rather focused in their areas in this bidding season and I wonder whether you could provide some insight, what do you think - how this may evolve going forward, how the

competitive situation may evolve in the North American de-icing market? Whether there's a kind of change next year maybe, what are your thoughts on this one?

And then on the cost cutting side in the unit, maybe you can walk us through what kind of cost reductions you have achieved, hard cost cash cost savings in 2015 compared to maybe the previous year and what you can already see for next year, maybe some bit of granularity on this one, thank you?

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Mark Roberts, Salt
So for your first question in the North American competitive landscape, yeah I would say year to year there are always ebbs and flows with the way the competitors respond to the bidding process, based on the prior year's demand. We honestly haven't seen anything really unusual this year, we've seen maybe a bit more competition on the East Coast from importers that are looking to fill the gap after a very strong winter on the East Coast, that can happen after a very strong winter. In the Mid West we haven't seen anything really unusual, nor in Canada.

So from our perspective we're very pleased with the results of the bidding season in North America, not just from the volume standpoint where we achieve the volumes that we were aiming for, but also we're pleased with the pricing development; where we've seen generally speaking overall in North America positive price development. So we're pleased with our market position today regardless of what competitor or the other might say about market share, we're very pleased with where we stand today.

On the cost reduction side we have not in the past broken out the cost split - the cost saving split between business unit Potash and business unit Salt when it comes to Fit for the Future. I can tell you that when it comes to our Fit for the Future targets we, within business unit Salt, are absolutely on track. We started our cost and efficiency improvement programme actually a little bit before Fit for the Future started. If you look at the 2012 results that I referred to earlier we were really in a hole and we recognised that we fundamentally needed to look at our cost position and our efficiency. So we started digging in very deeply very early on.

So we are, from our perspective, where we expected to be in 2015, absolutely on track, if not a little bit above and we expect also the same in 2016. But again we haven't broken out the split between the cost savings on both business units.

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Norbert Steiner, Group Chief Executive
We have time for one further question.

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Tom Wrigglesworth, Citi
Sorry if I've missed it, but could you talk a little bit about the associated capex that comes with your 2020 target and where you see maintenance capex in this business on an ongoing basis? Thank you.

Mark Roberts, Salt
I think we've said and continue to say that maintenance capex is in the range of €100m, total capex I would say a range from €120m to €150m. We don't attribute a significant amount of capex to our 2020 targets; so yes some of our strategic initiatives do require some capex, but we're not talking about significant capex that's really going to move the needle overall.

Norbert Steiner, Group Chief Executive
If there are no fingers to be seen any more I would like to thank you for the questions in that second round of the Q&A session, then we start with a break and we will reunite at 12.15. Thank you so far.

Coffee Break

Norbert Steiner, Chief Executive Officer
I hope you have enjoyed the coffee break but I would like to invite you to come back into that area of our big hall in order to enable us to start the second part of our presentations. I see a couple of chairs that are not yet filled and I do want to enable everyone to listen to Andreas Radmacher from the first second onwards. And therefore I will try to extend the break for another couple of seconds.

Tough in Rough Times

Dr Andreas Radmacher, Potash and Magnesium Products
Good afternoon. My name is Andreas Radmacher and as it is the first time that I'm speaking as a Board member of K+S in front of the financial analysts and the finance community I would like to start with a brief introduction for my person.

I started mining engineering in Clausthall-Zellerfeld and in Aachen. Later on I wrote my doctorate thesis in the hard coal mining industry. I spent a couple of years at STEAG working for power plants, for project management, setting up big power plants. Then I used to work four years, four very exciting years for Enron where I learned the commodity business in different functions. And after the breakdown of Enron I joined RWE where I was board member of Transgas in Prague responsible for the Norwegian and the Russian gas business. Later on at RWE Energy as a board member responsible for the power and gas sales in Europe, and the last position there I was CEO of RWE in Turkey where we again built the power plants and started electricity trading activities.

Well since two years I am now with K+S, responsible for the Business Unit Potash and Magnesium products. And as you all know the energy industry certainly underwent several challenges and changes so you can rely that I'm quite familiar with these rough environments.

Now being for two years at K+S I have to say that I found a well-established company and for me most important with lots of motivated talents and business experience here at this company.

I chose as a title for my presentation Tough in Rough Times. Why? I'd like to be very clear; I think we are all well aware that we have got a bumpy road ahead of us. This is especially true for the short term, but the Potash industry, and that is something that I'd like to reiterate a couple of times, it's a capital intensive industry with a focus on very long term developments. This Merkers mine here where we are right now was founded around 1900, so we're talking about more than 100 years. So it's complicated yes, but there is a but in it and I'll come back to that in a second.

This chart is just to warm up. I mean you all familiar with that. Potash is a small world and K+S has a good niche position as an independent player, you know that. K+S is the oldest player in the potash world which means a lot, especially for our customers. Again that is something that I'll get back to later on.

That the industry will face overcapacities over the next couple of years, that's also not a surprise to you. If you see around 90 million tonnes of theoretical capacity right now, we are talking about roughly 100 million tonnes in five years time. The vast majority of these capacities are in the hands of well-known and established players, but let me make one side remark as a mining engineer, there is a distinction between just adding up the theoretical capacity and the actual capacity and production. We shouldn't mix that up. And one other thing I think is quite important in the current environment; the barriers for new entrants are very high.

The prices have had high volatility over the past decade with peaking at around US$1,000 the tonne, and touching bottom where they were after the Black Tuesday, where they are right now. Reasons for drops in potash prices are manifold, it's about agricultural cycle, soft commodity prices, it's inventory situation, the pricing of other fertilisers, macro factors etc. etc.

This kind of boom and bust cycle is normal in the market like the potash market. We know it, we can live with it, we understand the dynamics. And there are some good messages. There is no incentive for any new entrants in the next years. And we have seen how low prices spur the demand. Last year sales was about 64 million tonnes, an all time record. Therefore we believe in a strong rebalancing of demand and supply in the midterm and pricing headwinds. I am convinced that the whole industry is in a much better shape in three to five years.

And here is the why, why I am talking about pricing headwinds in the medium term and why we believe in a rebalancing of demand and supply.

It's about the positive long term dynamics for fertilisers. Demand growth will continue over the next decade because of continuing population growth, because the available arable lands per capita will decrease, because changing diets towards higher meat consumption, because of alternative use of agricultural sources, because of changing weather patterns with rather more droughts than today. And last but not least, because of the cost of fertiliser as a percentage of crop revenue is rather low.

So I'm now talking about ten minutes to you. During the last ten minutes the world population increased by around 1,600 people. This year the world population will increase by around 83 million people, the size of Germany. On the other hand the available arable land decreases. When I visit our customers in Brazil for example it’s always a surprise for me how much meat I am offered. So don’t get me wrong, I love steaks, but if you get this the morning, for lunch and dinner, well that’s different. And for the production of one kilogram of beef you need around eight kilograms of animal feed. So the changing diets in emerging countries significantly increases the need for fertilisers because you need more animal feed for the meat production. Again for me potash remains a very attractive industry on the demand side.

Well am I talking my own book only? No, don’t think so. All experts share a common understanding; the markets will grow in the long term.

Ladies and gentlemen I talked about the markets and supply and demand situation. Let me come now to K+S, to our business unit Potash and Magnesium products.

I want to guide you through our value chain and demonstrate why we are and will remain an attractive player in the Potash and Magnesium business. I will show you some snapshots of our mining activities. I’d like to talk about products and our sales organisation as well as our strategic approach to the markets.

Well no surprise from a mining engineer, mining is our world. And as you see I'm already dressed to guide you in a couple of minutes. And old economy does not mean old fashioned. Most of you will join me on the tour and you'll get an introduction into this world.

Most important for us securing the highest environmental and safety standards, keeping the costs in the world’s oldest mines under control, and exploiting the unique deposits. We have advanced processes, methods such as ESTA for effectively utilising our minerals. Our programme Fit for the Future is very successful underway, and Burkhard Lohr just gave you some updates about that. BU Potash contributed half of the results to it, and you can be assured that we are working hard on it to keep the food on the cost break.

As I said old economy does not mean old fashioned. Have you ever had access to a wireless internet at a depth of minus 400 metres? Just check your mobile device. But for us it’s not only fun, it’s really belief that it can improve our efficiency and it can deliver a payback. We are testing different applications to digitalise our underground processes, to improve the HSSE standards, to improve the efficiency for example machinery, reporting, maintenance, and of course therefore to secure jobs in our German mines.

The next message, it’s also not new to you but I think it’s always worth to mention, the unique mix of nutrients in our mines. We just had a talk over coffee about that as well.

K+S is operating on complex deposits with yes indeed lower K2O grades compared to our competitors. Nevertheless we are actively managing the quality of our assets by utilising the entire range of minerals in our deposits, just simply making more out of it. The minority of our current product portfolio is pure MOP. This makes us more independent from the pure commodity cost play. We have a natural advantage for example in SOP. Our unique production process allows us cost efficient production of a high quality product. The process is less energy intense, it's faster and cheaper than for example the Mannheim process. And again we find the necessary nutrients in our deposits.

Last year we streamlined our sales organisation to be more customer focused. We are a well-perceived supplier in the agriculture space with well-known products. We are also a strong player in the industrial applications and the healthcare and nutrition markets. To better leverage on the different needs of our customers last year we have tailored our internal structure accordingly. And this again distinguishes us from our peers. We do have an owned sales organisation around the globe. We do have the knowledge and the raw material in our deposits. And in this respect Legacy will bring us a huge step forward; Ulrich Lamp will talk about that in a minute.

There was a question about new fields of development in the first round of our discussion here, and we do quite a lot about new fields. For example our project in Uganda that educates farmers there how valuable the use of fertiliser is. Uganda is from a soil point of view and also a climate point of view an area which is comparable to the most fertile regions in Brazil. Brazil two or three decades ago was as small in demand for fertilisers as Uganda is today. I think I don't have to talk more about that, there is a huge potential.

And also here I'd like to come back to the old well established and recognised brands K+S has. It means a lot for our customers, and I am still after two years always surprised when I visit customers in Asia and South America around the globe. For me, coming from the energy commodity business, this kind of customer relationship was really a big surprise that K+S has, and I have to say that is a very big asset K+S has.

Here is another example of a special product that is more independent from traditional agricultural markets and therefore not directly exposed to commodity pricing. I must confess that the volumes for this product are rather small yet, however it shows steady growth. But many mickle makes a muckle and I could show you more of other examples like this one where we deliver for example into pharmaceutical markets or supply to healthcare products. There's further potential for us, and Mark Roberts my colleague he showed you just that we are doing the utmost to exploit our existing customer relationships around the globe. There are lots of synergies and we are getting them.

Ladies and gentlemen we have started our value chain journey in the ore body, talked about production and customers, now I'd like to come to the end markets.

K+S again not new for you but always good to state the obvious, it's the authority for potash and magnesium products in Europe. We have the closest proximity to our core customers here which leaves us with the lowest transportation costs. We are quick in bringing the products to our customers where and when needed by truck, train or barges. Our core customers are to a very large extent the distributors like B….. and corporations that sell into Germany, France, Italy, the UK and other markets which are not as close to the shorelines. And there is another advantage one should not under evaluate and I mentioned that already, our longstanding relationships with our customers. We did our first sales in Germany in the 1890s so this is quite a long relationship to customers with the German cooperatives.

Customer loyalty is important for us but it's important for our customers as well, and I can assure that our customers can rely on K+S. We also play a good role in overseas markets which we always considered as growth markets compared to the relative mature European markets. The location of our ….. plants allow us cost efficient delivery to Brazil and Southeast Asia, and this network certainly gives us flexibility. But we can also use the geographical flexibility to our product diversity to react accordingly to changing market conditions. Mark explained that on the Salt side, it's pretty similar for us on the Potash side.

Ulrich Lamp will give an update about where we stand with Legacy in a minute. I will focus why Legacy is important for us, why it is important for our business unit. K+S will be the only supplier with production on two continents. With Legacy we'll have a competitive cost base and customer proximity. Distribution will be done via existing channels or new partnerships, for example with Koch in the US. Customers prefer a stronger second and third choice behind the big ones. Legacy will mean access to high quality resources for generations, and thus will give us the opportunity to participate in growth in the potash markets long after our German mines will be depleted.

How do we plan the ramp up for Legacy? After getting the first tonne end of 2016 we will steadily increase production up to 2.9 million tonnes of products in 2023. Starting in 2018 we are able to produce about 20% to 30% of the total output in form for Industrial Potash. Two more numbers that you already know, our production cost per tonne by 2023 will be around C$90 a tonne and half of that roughly energy and gas costs. Our logistic cost per tonne will be around C$65, that includes transport from the mine to Vancouver and to the various destinations into the markets. Legacy will be cash breakeven in 2017, and EBIT breakeven will be achieved in 2018.

Ladies and gentlemen, to summarise my brief presentation, on the production side of our business our focus will be on safety, efficiency and cost management as well as intelligent value chain management. On the sales and marketing side we are working on increasing our exposure to value added segments such as fertigation products, but also increasing our industrial footprint, for example in the farmer market. Apart from Legacy this is where we focus our growth efforts on.

Thank you very much for your attention and I now would like to hand you over to Ulrich Lamp who will give you much more insight into our Legacy project. Thank you very much.

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Legacy Project - On track

Dr Ulrich Lamp, President and CEO of K+S Potash Canada
Thank you Andreas. Good day ladies and gentlemen. I am really glad to give you a closer view to our Legacy project. Before two words to me, I am also the first time in this round. My name is Ulrich Lamp, I am now since 2012 in Canada and responsible for this project. And I will stay more years in Canada also after closing this project.

So at first I will talk a little bit about the components, what means Legacy at the end to us. Important and truly visible is always our main construction site. This construction site is in the prairies in Saskatchewan. Saskatchewan is one of the western provinces in Canada, roughly 2,000 kilometres away from Vancouver. The next province in the west is Alberta and then British Columbia.

To build a site in the prairies means you need also a rail connection at the end that you could deliver your products to the customers, in the domestic regions but also overseas. And then to access your customers overseas you need a port facility, and we build this port facility at the end in our Vancouver location on the PCT terminal. And at least as a mining company you need a social licence. That means that you as a company must recognise as a good citizenship from the government but also from the neighbours, that's why I mentioned also K+S Potash Canada in Saskatoon, that's our local office and it's KSPC described in this point.

Important picture, not long ago roughly three years that is on the lower side or site where we at the moment construct our Legacy processing plant. You'll see one of the drilling rigs there and this time it was drilling one of our disposal wells. The blue line in the background is the Buffalo Pound Lake. The Buffalo Pound Lake is also important to us because we get our water from this Buffalo Pound Lake and we need solution mine well water and we get it from them.

Then we worked really diligently to define this group of our processing plants by our basic engineering, and doing this in a diligent way is one of the key success points to be also successful in the project and execute this. And this was done in the end of 2013 and now I show you where we are.

This picture is from October of this year. You see all parts which was designed before. I will explain a little bit on the white side, the more lower building, that's the so called tank farm where part of them is since much of this year in operations because we operate a well field at the moment. Then the next part with the huge vessels, it's the so called evaporation. That's a really important part of our processing plant. Then the huge vessels in front, the two which are looking really similar, that's our clarification part in the plant. Then it's also followed by the crystalliser what you see a little bit behind. Then we have the deep brining and drying part in the building at the end it's our compaction plant and then the conveyor belts what you see with the white strings. This will then bring our fertiliser and industrial products up to the storage buildings. The more brownish one it's our industrial storage building, it's still under construction. And the more white one is our fertiliser building.

Like I mentioned before we have to do more than only our processing sites. One is the rail connection. The rail connection will be done by Canadian Pacific Railways. This project is on track and you'll see one piece of this contract inside that's well underway.

You will also see it on the VQ. Then really important to us is that we also have our own railcars. We order the railcars by the National Steel Car; it's a Canadian rail producer in Hamilton close to Toronto. And then the lower picture shows a picture from our port facilities with the construction of our storage building on this PCT terminal. Also this construction is on track.

Now I will show you a short video that will summarise a little bit the construction.

Video playing

That's coal from the mine to the market, you'll see a drilling rig there which is operating, and we have completed all our six pads in the drilling phase. That means we have drilled 108 drilling holes to depths of 1,500 metres.

That's one pad of the six, it's pad number two, and you'll see at the end the head of the pipes from this drilling.

Now we come to the side, that's our water pump in the front. Then we come to our tank farm what I mentioned before.

Then behind the huge vessels what you saw also in the basic engineering pictures our evaporation plants. You get a feeling for the size if you look to the left sometimes you'll see trucks going there or people - how huge this is.

We have the clarification the white vessels, the vessels on the right side that's our crystallisation plant and that's followed by the debrining, drying and at the end the compaction plant.

The height of the buildings is roughly 50 metres, that's hard to recognise in videos or the pictures, but when you really stay on the Legacy site and the construction then you will be deeply impressed about this huge construction.

So that's the fertiliser building, roughly 100,000 pounds of storage capacity. On the right side it's a storage, the load out tower. And then it goes via railway that's part of the railway connection done by Pacific rail. They have to build 30 kilometres of rail spur. And I mentioned before they are really well on track. You will see also running a lot of construction vehicles there, and on the other side it's also clear how weather dependent, especially the rail connections, but rail - this will be a difficult one.

And this rail connection, we go down then to the existing rail spur from Montreal to Vancouver and the port. And Vancouver then we have this construction at the front you see the so called dumper pit where the equipment is working on the dumper for the unloading of the railcars. It's well underway. And then you see the part of the storage building which are built there, storage building, the foundation is ready - where we have a capacity of 160,000 tonnes of product at the end.

So far in this - to give you a more live impression. Then we will come to a really important point of this project, it's at the end, safety. Safety is our highest priority. Take in mind that at the moment on the site we have more than 2,000 workers who work in this plant. We have heights of 50 metres that people work on different levels. That's a high risk construction job and therefore we are really proud that we have more than 450 days work without any lost time injury. That's incredible when you see this. That's at the moment more than 7 million project days without any kind of injury.

That's only the result of an extreme strong and strict management who achieved this because it's again the natural behaviour of a lot of people, and also executing the project of this size need not only in safety the strength and strictness to manage the safety, also to execute this project, that's important.

What's to do until the first tonne of potash? We have to come to the end of the construction of the last two pads. That will be done at the second quarter of next year that we have all six pads constructed which are needed for the ramp up phase. We have to build and complete the north part of our tank farm, then the debrining, drying and the compaction building. So this is under construction and the storage buildings. Then we have to complete the rail connection which is well underway, and our port facilities. And we have to bring our evaporation and crystallisation plant ready for production. And we will then do the first tonnes of production at the end of next year.

And we are really convinced that we will do this but there is always risk on the way because I talk about the future and that's always a little bit dark. And the main risk which could hurt us is in major injury at the site. That will have a huge influence, therefore that's also one reason to manage the safety really properly. The weather, I mentioned it regarding the rail construction. It's really important to us too because we couldn't influence this. And at the end also the performance of our construction companies is really important. We are actively managing this construction companies but nevertheless that's important to us. And also Canada has unions; a strike would also hurt us at the end if it will happen. And then we need a smart and smooth ramp up, that's really important to the year 2017.

Now let me come to a summary at the end. It's clear engineering has completed. The procurement is substantially completed and the progressing of our construction runs really well. We have shown at the end our capability to construct such a kind of complex plans in the prairies of Saskatchewan; therefore we are really convinced that we will do it like we planned it. And at the end we will stay to our commitment to the first tonne in '16, I mentioned it before, but also we will do it in the budget that we commented before the 4.1.

At the end we really easily say and really simply say we are still on track at the end. Thank you.

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Questions and Answers

Norbert Steiner, Chief Executive Officer
Thank you very much for these two presentations. Fingers are up already.

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Question
Just looking at your future Legacy project. Do you think the mix between Specialty and non-Specialty product would be the same as your current sales? And or do you have already a bit of visibility on contracted volumes or how do you see that future?

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Dr Andreas Radmacher, Potash and Magnesium Products
Well as I pointed out briefly in the presentation Legacy we are able up to 20% to 30% of the total output to produce industrial products, industrial KCL which helps us a lot, especially for the North American markets and the Asian markets to maintain our position there. So all in all the overall structure of our products won't change. We still will be able to deliver the special products here from Germany to the markets, and Legacy will help us to ramp up the volumes on the industrial KCL grade.

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Tom Wrigglesworth, Citigroup
Two questions if I may, probably both to Dr Lamp. Firstly could you talk about water security? What's the - how much fresh water do you need onsite and what kind of agreements do you have for Buffalo Pound Lake in terms of offtake and how are you able to recycle, so water security?

And the second is on the rail agreement. What guarantees do you have from the Canadian rail company that they're going to prioritise your shipment and actually deliver your product to the port? Because my understanding is that there's some high uncertainties here in terms of the agreements that exist between rail companies and the guys who want stuff shipped. Thank you.

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Dr Ulrich Lamp, President and CEO of K+S Potash Canada
First to the water security. We have an agreement with the government in Saskatchewan which was presented by the Sask Water that's a ….. company at the end. We have the security of a certain amount that's more than we need for our operation; therefore we see no risk in this. There is at least also more room to increase our consumption for different opportunities but the opposite is the case in water.

To the rail contract, there is SLAs in at the end. We use our own railcars; I mentioned shortly in one of the pictures we have bought them from the National Steelcars that we have our railcars. There was some shortage in railcars the last year or the last few years there, but that's also one reason for the owned railcars that we bought them at the end. And the SLAs are really strict in the contract, that's a longstanding contract over ten years at the end, and with the opportunity also to change the rail provider. We could also select for example Canadian National. We are not always coupled to the Canadian Pacific, that's also important to know.

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Norbert Steiner, Chief Executive Officer

Let me maybe add one or two sentences. I was visiting Canada, Calgary a couple of years ago, and since the one or the other might know that I'm very interested in railways I was looking very much to the traffic that was visible on the rail spur of Canadian Pacific railway. And when we drove along to the national parks over there you saw a train, very long, which lasted 15 minutes in order to pass them by. And then you waited for one hour, two hours, three hours, four hours, five hours to see the next one. So the capacity on the rail spur seems to be and is really big that maybe traffic jams generally should not hold up the traffic. This is the first remark.

The second one, this is a question of discrimination. Neither railway, neither Canadian Pacific nor Canadian National can discriminate one against the other, taking into account the big capacity that is still available on the rail track.

And the last issue strike, you have always seen that potash is a national issue, and whenever strike - get into a situation that have become dangerous for Canadian national interests, the state is able to influence it, to intervene and say you are not allowed to strike anymore. Completely different to that what you see with Lufthansa today.

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Question
Couple of questions on connectivity. First of all how many railcars will you be operating on your own once that mine is fully ramped?

Second of all, you hear a lot of talk about obviously the connection to Vancouver, but how about the infrastructure into kind of the Kansas region etc. How will you serve that and have you contracts in place?

Then unrelated to Legacy - well a bit related to Legacy, your logistical costs from here to Brazil, how do they compare at this moment compared to the logistical costs from let's say Legacy to Brazil? Can you give us an idea? Thank you.

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Dr Ulrich Lamp, President and CEO of K+S Potash Canada
I will answer the first two of your questions. We own roughly 550 railcars on our own - mentioned this, that's more than enough to ship all our products to Vancouver. But in the contract, this Canadian Pacific, that's also included the domestic, maybe to cancel something else. So it's also included in this contract too. That's the same rail at the end from the Legacy side downwards via Canadian Pacific to the US. Therefore that's ...

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Dr Andreas Radmacher, Potash and Magnesium Products
So I get the more critical one or the tricky one? Well indeed we will serve the North American market as well from Legacy. That's the reason why we have got this partnership with Koch. It's not an exclusivity one, just for certain areas and you are pointing to the right points. Logistics is key there in North America and there we believe, and I visited Koch a couple of weeks ago, I've seen it, that they're excellent in their logistics and the hubs that they are serving. So we are very confident to have the

right partner for the North American market to start with. Of course we will develop our business there but we are the new kid on the block and try to get acquainted to these markets.

Question
But there is an existing rail connection down into the Midwest somehow?

Dr Andreas Radmacher, Potash and Magnesium Products
Yes. It's not just one connection, it's a network there and we will cooperate with Koch on this network.

And no specific costs for Brazil. As I mentioned on average we have got C$65 Canadian dollars per tonne as an average logistic cost from the mine to Vancouver to the different locations. It's not just Brazil, it's Asia as well. I'd like to highlight that Legacy is very important for us to move volumes into Asia because it does not make sense from Europe to ship it over there.

Question
Shipping costs from here to Brazilian shores, i.e. CFR?

Dr Andreas Radmacher, Potash and Magnesium Products
It's quite competitive, yeah.

Question
Just one question from my side, the 20% to 30% of Specialty products from Legacy which equals 400 through to 6,500 tonnes will they be completely earmarked for the existing mainly European markets you serve with Specialties, or will you try to access the North American market as well? And do you require let's say a new distribution network for Specialties within North America? Will you build or are you trying to build that up currently? Thank you.

Dr Andreas Radmacher, Potash and Magnesium Products
I guess that's for me. No looking at the direction where Mark is sitting, as he pointed out we have got an increased cooperation between the business units. And both of us mean that honestly we will do the utmost to exploit that. We have got very good customer contacts around the globe, either Salt or Potash, especially then for the Industrial or the Specialty markets.

So if you raise this question we will certainly use existing channels to markets, but we will build up new ones. I can't give you a concrete number now in which year we will sell what product in which market, but we know and we are aware that there is even growth in these markets. Mark had much more numbers on Asia again. We think that we can deliver quite a lot of volumes into the Asian markets, it's India, it's China, it's all the Asian room there so we are regularly visiting there and if you go there it's a booming region still, even if Chinese economy is slowing down. But if you look on the total numbers it's huge for European conditions.

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Catherine Tubb, Bernstein
I have two questions. You mentioned a little bit about having preferred customers. Can you just give an example of what makes you a preferred kind of partner with these customers? Why do they choose K+S?

And then second do you always plan on running Legacy at full or as much as you can capacity? Is there any scenario where you might think about cutting production at some point?

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Dr Andreas Radmacher, Potash and Magnesium Products
Let me give you one short story. I mean as you know I'm a newcomer in Potash. I'm now for two years in this function. And if I talk to colleagues they're for 10, 20 even longer years within the company, so I'm really a newcomer. And I was sales officer at the power and gas company. What I did to prepare myself for the first customer visit is of course let's learn about the product. What is the unique selling point that you have? And after a couple of visits in Asia and Brazil for example I skipped that all, because all the customers were complaining why are you not delivering more?

Now the big question is why. K+S indeed, and I mentioned that in my speech, has more than 150 years of brand name, and it's deep in there as a German, reliable, high quality producer so we stick to our word. Might be that's a soft answer to your very concrete question but certainly it's one of the factors that helps us a little bit.

The second question regarding volumes from Legacy, could you repeat that?

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Catherine Tubb, Bernstein
It's a very thinly veiled question because basically I'm trying to ask is there a scenario where you would cut production? I think we've seen some of your competitors talk about that and I just was wondering if perhaps you would think about that at some point, or is there a scenario you might think about cutting production from Legacy?

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Dr Andreas Radmacher, Potash and Magnesium Products

Well I mean we do the utmost in ‘16, ‘17, ‘18 to ramp up the production. I don’t want to talk about cutting production. And as you have seen we have to replace in the next years some volumes, and Norbert Steiner said that in his speech as well, that we have to replace some volumes from our German mines. I don’t see a significant impact in the market if that is the background of your question.

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Mike Schaefer, Equinet Bank
Two questions if I may. First one sticking to the German production, in the morning you talked about trying to I guess on ramp up of German production capacity to some extent, at least you partly compensate for the shortfall at Sigmundshall. So I wonder whether you can provide us some more insight what are your plans in order to lift current production capacity in Germany going forward and to what …..?

Second question is on Legacy on the non-industrial product mix, so to say on the fertiliser side. How should we think about the product mix you are targeting there? What kind of qualities are you preparing and how flexible are you in terms of producing different qualities and for different markets?

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Dr Andreas Radmacher, Potash and Magnesium Products
So what are we doing to increase capacity? Indeed as Norbert Steiner pointed out we are facing the issue that the mines get more and more depleted although we still will run for the next decades. But the ore content is getting less, very slightly but it’s getting less. The distances are more far that we have to travel to the front.

We have got a couple of initiatives to increase production. One thing is of course that we simply maximise the time that we spend in the underground to explore and to get the production up to the plans. There is still some room left and that is one of the biggest levers. Of course we have got more technical adjustments as well to be more precise in the ore, to measure the ore content for example. So lots of smaller technical applications and processes that enables us at least to keep the production on a steady state.

Next to that here at this very site we are investing in the so called KKF, that’s an environmental project which brings us even some more products as well. Again that was pointed out in the morning. So we expect that we slightly increase in the next years over 7 million tonnes from the German mines. That is the answer to this question.

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Oliver Schwarz, Warburg
Just a quick one on the production costs. I guess being a solution mine Legacy is highly dependent on the costs of LNG. I see you operate almost with the same numbers for almost two years now. Judging from the gas price some other costs must have really gone up by assumption because the overall price almost - really remained the same over the last two years, with the gas price dropping from levels of above four to levels now even below two. Can you quickly elaborate on how your contracts regarding energy

stands at the moment? Have they been fixed? What duration can we expect? Have they to be renegotiated every year? Do you have price opening clauses when the gas price fluctuates and the like? Can you just put some flesh on the bone here please?

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Dr Ulrich Lamp, President and CEO of K+S Potash Canada
The gas market in North America is different to the markets in Europe for example. We see at the end the opportunity for hedging. The gas prices every day ….. and the futures at the end. Their big point why we see the low prices within technical impact, the technology changed and the gas markets and the further times there was only vertical drillings, and then they invent this horizontal drilling over the last six, seven years. And that brings the production costs extremely low and we have a market with more producers which aren't still money - then we see the opposite on it. Therefore we believe and we are assured that the low prices you couldn't expect on the longer term. That's the first one.

Then we do different kinds of hedging or that's more a contract what we do, that we go from a smaller amount for three, four years in advance, and other contracts will be low that we still at the end will also be on the day to day spot market. Because the spot market is expected lower than when you see the futures in four or five years. Therefore to mitigate some risk you put a little bit more money on that will take a small amount for a longer period, but at the end you will go close to the spot market, report different levels.

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Dr Andreas Radmacher, Potash and Magnesium Products
Might be one more sentence to that. The North American market is a very liquid gas market as you know, and we set up the right structures to deal with that. So we are coming from a commodity business, we hired the gas trader and we will apply all of the necessary risk management instruments to do the right thing to minimise costs, but more important coming from the commodity side to manage risks.

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Question
More on a long term horizon so 2023 when you are fully ramped up Legacy mine, but at the same time the Sigmundshall mine is closed and you have these initiatives to increase production facilities, so where is more or less your production capacity then in 2023, is this then 6.4 million tonnes or 7 minus 0.6 from Sigmundshall mine together with the 2.9, together with maybe 100 to 200 additional tonnes then from these initiatives. Is this the right way of thinking for the capacities then in 2023?

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Dr Andreas Radmacher, Potash and Magnesium Products
That sounds quite right, yes.

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Tom Wrigglesworth, Citigroup
On the Legacy project obviously I think the majority of the production costs are going to be in the processing facilities. As you ramp up the plant is it the combination of having all the factors running - is there any key risk factor or newer area of that plant that's particularly large? What's the key risk in getting that processing facility up and running and therefore achieving these kind of cash cost production targets?

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Dr Andreas Radmacher, Potash and Magnesium Products
Well ramping up first of all it's an operational issue. So we do quite a lot and Ulrich can expand that to educate our staff. It's more or less the same methods and concepts we are using that we're using here in Germany as well. In certain areas we are world market leader. We have got lots of experience on these concepts, the technical processes, now how to bring it over. So we've got a huge education process, even flying in some Canadian specialists to teach them on our existing plants here in Germany, and you can be assured in '16 onwards we will be flying over there a couple of times to educate the people in the plant as well.

So the core of your question is process competence and how to make sure that this process competence will be applied then in Canada and this is done through a quite sophisticated education process that we now have set up and that already started.

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Norbert Steiner, Chief Executive Officer
If I may add some different point of view. I am always very much let's say surprised or not surprised anymore to see the different attitudes of people living in Canada compared to people living in Germany when it comes to such a challenge. In Canada the people say oh we have a first new Potash mine since 40 years built and this is really an exciting issue. If you would come to Germany I would say and Siegfried-Giesen might be an example it's not yet decided, the people say what does it mean for my neighbourhood? Of course Germany is significantly smaller and the distances between the site and the next village are 20 kilometres and two kilometres here so this is different, but - the basic attitude towards such a thing is completely different.

And from that perspective the people like Legacy very much in this catchment, what I hear from Ulrich Lamp's reports on that. They come and say I want to be part of that. Retired people who say I'm 60 plus but I'm not old yet, say I want to contribute, I have experience in some of the mines of our competitors. And therefore we experience that people are liking Legacy very much and are proud to be a part of that and are proud to deliver their competence to that. And from that perspective we have less difficulties over there to recruit the personnel than we expected to have, and this makes us very confident that we have the right people in the right figure, the right magnitude, in place and the training has been described by Andreas Radmacher perfectly I think we will be there with the personnel, that is achievable in Canada. It's completely different to that what we see in Germany and we like that very much.

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Jean-Francois Meymandi, Morgan Stanley
I'll try one that is challenging. So you expect potash prices to recover on the long run. We have not spoken yet about the short term so I'll try that. How low you think we can settle and how fast you expect a rebound, let's say if we look at the next 12 months on the pricing side? What are your working assumptions?

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Dr Andreas Radmacher, Potash and Magnesium Products
Well that's a Capital Market Day, maybe you should answer that?

Laughter

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Dr Andreas Radmacher, Potash and Magnesium Products
No, for us prices in Europe are quite stable and again I would like to reiterate more than half of our product portfolio is not commodity MOP. And so far we have been able to distinct from this commodity play. Yes as I said tough and rough times. It's indeed a bumpy road for the next 12 months. But as I pointed out and again I'm a newcomer, I learned now for the last two years and I'm convinced that the fundamentals of this market, fertiliser, world population, etc. etc. they are really intact. And I think the demand side will play a significant role in price establishing.

Unfortunately I don't have the price in three years time otherwise I wouldn't stand here.

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Jean-Francois Meymandi, Morgan Stanley
On the short run could we hit 250 or not?

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Dr Andreas Radmacher, Potash and Magnesium Products
The 250?

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Jean-Francois Meymandi, Morgan Stanley
Yeah.

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Dr Andreas Radmacher, Potash and Magnesium Products
No I couldn't offer that.

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Analyst, UBS

What kind of EBITDA addition do you think your Legacy project can add to your K+S total EBITDA? How much EBITDA would this Legacy project add to your …?

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Norbert Steiner, Chief Executive Officer
Yeah it will at least contribute in the first years to the 1.6 billion that we have set out for the year 2020. But I would not like to get into more detail. Mark mentioned was due to Salt 400 million EBITDA in the Salt in 2020. That means almost the rest should be coming from the Potash and Magnesium products range, a small part from our complementary activities. But it would be much too detailed if I would then give you a guess about the contribution from Legacy to the 1.2 billion. But as it was traceable from the remarks that my colleagues have done so far, cash effective in 2017, EBIT effective in 2018, you can imagine that once we are in full fledged situation in Legacy it is a huge portion out of that 1.2 billion.

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Analyst, UBS
The second question is you have - I think you have implied value per share of the Legacy of about €11 to €21 so what are the assumptions you have? In your slide -

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Norbert Steiner, Chief Executive Officer
This was a figure that we have put together without wrap up of our fundamental value in connection with Potash Corp's private proposal. And of course depending on the assumptions that you do you have a lower and an upper end and this was the US$11 to US$21 that we brought together in those days.

We have said in those days that we were not overly let's say optimistic or let's say exaggerating overoptimistic was due to the price development. Of course it has been mentioned during this morning, during this day, here together that we have a basis which is in the neighbourhood of that what we see right now in the market. But we assume that in the next years to come the prices will increase and you need to see that this evaluation was due to Legacy was not something that only took five, ten years into consideration. It is a long way off the Legacy contribution that went into that evaluation of $11 to $21.

So we would be - it would not have been the right starting point for the evaluation in those days if you would have said everything is beautiful, they sky has never any cloud, we will have $500 in 2017 already and $2,000 in 20 - I do not know, 2040. So it's a very conservative approach that we have taken but of course depending on WACC something and so on you come to the range between 11 and 21. It's a very, very let's say prudent evaluation that we did.

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Question

Just a question on mining technology, I have this one chart here indicating where new innovations come from, things like that. I think I did my first mine visit 17, 18 years ago or so in O…. and there was a lot of talk about autonomous driving machines etc. So 15 years later where are we on this?

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Dr Andreas Radmacher, Potash and Magnesium Products
We still have drivers running the LHDs. No honestly if that was the talk 15 years ago one has to confess that technology developed further. And at this time what I have heard from the past this autonomous driving was not successful because too cost intensive, the technology was not there. I think we'll get back to that. You'll see the wireless LAN, Wi-Fi area here; we have got that in certain areas in the mine already. Not to cover the whole mine that everybody can use his mobile, that's not the issue. The issue is what does make sense to digitalise.

So to get online tracking it's a security issue. To get machinery to machinery communication it's a maintenance issue. So utilising our asset heavy machinery which is capital intensive, that is the biggest lever in terms of money that we can achieve. It's not about personal reduction; it's not about other things. It's about utilisation, optimising maintenance to use the capital intensive machinery as much as possible.

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Norbert Steiner, Chief Executive Officer
And in those days we were maybe a very advanced visionary or pioneer to even think about the things that are running right now. When you see people driving around with the hands off the steering wheel, you'll see that there is a testing area I think at the highway number nine where people and also trucks shall run at least test wise automatically. So this technique will be there in the next couple of years, and of course this is then something which is significantly cheaper than it has been in the past. And economics for let's say man free trucks and loaders underground will certainly be evaluated once more. But there is another issue when you talk about the capacity that one of our scoops, of our loaders underground has had in 17 years ago it would have been 10 to 11 tonnes and today we are talking about 18 to 22. So one ride has almost 80% more conveying material to the conveyor belt than it has been in the past. Also improvement of efficiency.

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Martin Jacobi, VR Bank
Just have a look to the Russian market please, a concise look. And what is the direct effect of the embargo of Russia on the Russian crisis to K+S? And how do your competitors, for instance Uralkali and Belaruskali react on this? Do they put pressure on the prices or do they react to the form that they expand their capacities? Thank you.

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Dr Andreas Radmacher, Potash and Magnesium Products

Well I mean we are competitors in the market, especially in the eastern hemisphere to Europe. But I cannot draw any special conclusion on that so we are competing for customers with our products. Sometimes we have got different products. Again some of our magnesium sulphate content products do not really compete with the MOP. But I cannot comment and I don't have any knowledge about their behaviour there, so we are meeting in the markets.

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Mike Schaefer, Equinet Bank
First of all I'd like to repeat my second question from before because it hasn't been answered. The question was on the fertiliser production plan in Legacy, so what's the split you are targeting there of granular or standout product? My understanding is you would like to serve the Asian market by a larger extent so I would guess the standout product takes a higher share than maybe on average at your group, first question.

And then the second question is in particular on 2017 on the ramp up process how should we think about the ramp up process? Is it a straight line process we should expect or is there a kind of curve on the line and how does this fit with your 1 million tonnes sales target in 2017 given that you have a seasonality which is in fertiliser from your customer point of view just rather geared to the first half, my understanding, and maybe the third quarter in Brazil. So how does this fit essentially?

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Dr Ulrich Lamp, President and CEO of K+S Potash Canada
We have enough flexibility between the fertiliser and industrial at the end that we could decide during our process. Maybe that answered your question, therefore we are not in a fixed split, that's important from our premier product wins comes in the compaction. We could decide whether we do it for the fertiliser or whether we use it for the KCl 99 the most cases.

What was the second one?

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Norbert Steiner, Chief Executive Officer
The only difference - sorry to jump in, the only difference between let's say - of course absent from quality, is the colour. The industrial product is white and the product for the agriculture is pink. This is artificially flavoured and coloured but customers like it very much this way. So if we decide to use industrial potash we need to colour it.

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Dr Ulrich Lamp, President and CEO of K+S Potash Canada
Yeah exactly, that's an easy one. The next one was how we do the ramp up of it. We have three parallel lines; we call it trains, in the evaporation. And the first train will go online with the first products, and after a certain time we will bring the second train in to double the capacity. In a certain time in '17 the third train, the last one, and we achieve

the 2 million at the end as a capacity therefore that would be a little bit of a chunk of - that would be not only linear.

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Norbert Steiner, Chief Executive Officer
So ladies and gentlemen I would like to thank all my colleagues for their contribution, thank you very much. And I would like to - I do it from this place, I would also like to thank you for visiting us here underground in a very safe environment. I hope that you and the participants that are following our Capital Markets Day in the internet have gotten the impression that K+S is on a good track, that K+S has the right strategy with our two pillar strategy, that we have a lot of challenges in the marketplace in bringing up Legacy and caring for the environmental issues here in Germany. But so far we could trust on our experience and our intelligence that enabled us in the past to overcome also critical situations and to stay as a competitor and as a supplier that is very well welcomed by our customers because we are nice people. So we will continue with that.

We will continue our way down the road with Legacy, with Salt 2020, with other initiatives and this is not only forced externally as the people have told us you have to deliver. We have told us we will and we might deliver, and from that perspective I think it is a quite good perspective for K+S. If we would have been able to bring that over to you and convey new information, new insights into that what we do we would be more than happy, and then we would have been renowned by your presence here 420 metres down in that hall in Merkers.

Thank you very much from my side and in the name of our colleagues, of my colleagues that you have been here. The day is not over yet. We will have lunch together and afterwards there will be - the group will split into two parts, the one that have to leave and will leave because almost everybody was invited to join the mine tour in Unterbreizbach. I also will leave for my office and do some other things. Thank you very much from my side and some final organisational remarks from Thorsten Boeckers. Thank you very much.

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